



COMMONWEALTH of VIRGINIA

Department of Health

PO BOX 2448
RICHMOND, VA 23218

M. Norman Oliver, MD, MA
State Health Commissioner

TTY 7-1-1 OR
1-800-828-1120

December 16, 2019

Mr. Kent Stevens
President
Berkeley Medical Group, Inc.
107 Elderberry Drive
Winchester, Virginia 22603

RE: **COPN No. VA-04691**
Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc.
Woodbridge, Virginia
Establish an Outpatient Surgical Hospital with Four Operating Rooms

Dear Mr. Stevens:

In accordance with Chapter 4, Article 1.1 of Title 32.1 of the Code of Virginia of 1950 (the Code), as amended, I reviewed the application and all supporting documents submitted by Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc. to establish an outpatient surgical hospital with four operating rooms.

As required by Section 32.1-102.3 B of the Code, I have considered all factors that must be taken into account in a determination of public need, and I have concluded that **conditional approval** of the request is warranted based on the following findings:

1. The proposed project is generally consistent with the applicable criteria and standards of the State Medical Facilities Plan and the eight Required Considerations of the Code of Virginia.
2. A reasonable, less costly, more efficient alternative to the proposed project does not exist.
3. The Board of Health Systems Agency of Northern Virginia recommended approval of the proposed project.
4. There is no known opposition to the project.

Mr. Kent Stevens
COPN VA-04691
December 16, 2019
Page 2

5. Approval of the proposed project is not likely to have a substantial negative impact on the costs or utilization of existing providers.

This certificate is valid for the period December 16, 2019 through December 15, 2020. The total authorized capital cost of the project is \$28,261,845.

Please file two copies of the application for a certificate extension with the Department and one copy with the regional health planning agency no later than 30 days before the expiration date of the certificate. Part VIII of the Virginia Medical Care Facilities Certificate of Public Need Rules and Regulations identifies the filing requirements and review procedure for certificate extension requests.

Sincerely,

A handwritten signature in blue ink that reads "M. Norman Oliver MD". The signature is fluid and cursive, with the "MD" at the end being more distinct.

M. Norman Oliver, MD, MA
State Health Commissioner

Enclosures

cc: Allyson Tysinger, Senior Assistant Attorney General, Commonwealth of Virginia
Erik Bodin, Director, Division of Certificate of Public Need
Deborah K. Waite, Operations Manager, Virginia Health Information
Alison Ansher, MD, MPH, District Director, Prince William Health District

COMMONWEALTH OF VIRGINIA
DEPARTMENT OF HEALTH

MEDICAL CARE FACILITIES CERTIFICATE OF PUBLIC NEED

THIS CERTIFIES THAT Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc. is authorized to initiate the proposal as described below.

NAME OF FACILITY: Kaiser Permanente Woodbridge Surgery Center

LOCATION: 13285 Minnieville Road, Woodbridge, Virginia 22192

OWNERSHIP AND CONTROL: Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc.

SCOPE OF PROJECT: Establish an outpatient surgical hospital with four operating rooms. The authorized Capital costs associated with this project total \$28,261,845. The project is expected to be completed by November 1, 2021. This certificate is issued with the condition that appears on its reverse.



Pursuant to Chapter 4, Article 1:1 of Title 32.1, Sections 32.1-102.1 through 32.1-102.12 of the Code of Virginia (1950), as amended and the policies and procedures promulgated thereunder, this Medical Care Facilities Certificate of Public Need is issued contingent upon substantial and continuing progress towards implementation of the proposal within twelve (12) months from the date of issuance. A progress report shall be submitted to the State Health Commissioner within twelve (12) months from the date of issuance along with adequate assurance of completion within a reasonable time period. The Commissioner reserves the right not to renew this Certificate in the event the applicant fails to fulfill these conditions. This Certificate is non-transferable and is limited to the location, ownership, control and scope of the project shown herein.

Certificate Number: VA-04691

Date of Issuance: December 16, 2019

Expiration Date: December 15, 2020

M. Norman Oliver, MD, MA, State Health Commissioner

Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc. must provide surgical services to all patients enrolled in the Charitable Health Access Program, the Medical Care for Children Partnership Program, the Medical Financial Assistance Program, and will facilitate the development and operation of primary medical care services to medically underserved persons in Planning District 8 in an aggregate amount equal to at least 4.3% of Kaiser Permanente Woodbridge Surgery Center's patient service expenses. Compliance with this condition will be documented to the Division of Certificate of Public Need and the Health Systems Agency of Northern Virginia annually by providing audited or otherwise appropriately certified financial statements documenting compliance with the preceding requirement. Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc. will accept a revised percentage based on the regional average after such time regional charity care data valued under the provider reimbursement methodology utilized by the Centers for Medicare and Medicaid Services for reimbursement under Title XVIII of the Social Security Act, 42 U.S.C. § 1395 et seq. is available from Virginia Health Information. The value of charity care provided to individuals pursuant to this condition shall be based on the provider reimbursement methodology utilized by the Centers for Medicare and Medicaid Services for reimbursement under Title XVIII of the Social Security Act, 42 U.S.C. § 1395 et seq.

Fwd: VA-8467 Charity Care Acceptance

1 message

Rife, Corie <corie.rife@vdh.virginia.gov>

To: Deborah Shaw <deborah.shaw@vdh.virginia.gov>

Fri, Nov 22, 2019 at 12:12 PM

----- Forwarded message -----

From: Berkmed <berkmed@aol.com>

Date: Thu, Nov 21, 2019 at 2:53 PM

Subject: VA-8467 Charity Care Acceptance

To: <erik.bodin@vdh.virginia.gov>

Cc: <corie.rife@vdh.virginia.gov>, <plero.mannino@vdh.virginia.gov>

Erik,

Please see attached acceptance letter from Kaiser Permanente. The original hard-copy has been send via overnight mail to you.

Thanks.

Kent

Kent Stevens, MS, MPH, LFACHE
President/CEO Berkeley Medical Group

bmg

LL: 540-665-5763

C: 540-454-1788 (Please use this number)

Regular and Overnight Mail Address

107 Elderberry Drive
Winchester, VA 22603

--

Corie E. Rife, JD

Certificate of Public Need Analyst

Office of Licensure and Certification

Virginia Department of Health

(804) 367-2124

 **VA8467 Acceptance of Charity Care Condition - SNOVA ASC.pdf**
496K

RECEIVED
NOV 22 2019
VDH/OLC

November 22, 2019

Mr. Erik Bodin
Director
Division of Certificate of Public Need
Virginia Department of Health
9960 Mayland Drive, Suite 401
Henrico, Virginia 23233-1485

RECEIVED

NOV 22 2019

VDH/OLC

**Re: COPN Request No. VA-8467
Kaiser Foundation Health Plan of the
Mid-Atlantic States, Inc.
Woodbridge, Virginia 22192
Establish an Outpatient Surgical Hospital
with Four (4) Operating Rooms**

Dear Mr. Bodin:

This will acknowledge your November 19, 2016 letter (amended by email from Ms. Corie Rife on November 20, 2019) to Kent Stevens at Berkeley Medical Group concerning DCOPN's recommendation of conditional approval of the Kaiser Foundation Health Plan of the Mid-Atlantic States' ("Kaiser") application to establish an outpatient surgical hospital in Woodbridge, Virginia.

In response, Kaiser agrees to accept the condition recommended by the DCOPN and will provide surgical services to patients enrolled in the Charitable Health Access Program, the Medical Care for Children Partnership Program, the Medical Financial Assistance Program, and will facilitate the development and operation of primary medical care services to medically underserved persons in Planning District 8 in an aggregate amount equal to at least 4.3 % of Kaiser Permanente Woodbridge Surgery Center's patient service expenses. Compliance with this condition will be documented to the Division of Certificate of Public Need and the Health Systems Agency of Northern Virginia annually by providing audited or other appropriately certified financial statements documenting compliance with the preceding requirement.

Further, as provided by the *Code of Virginia*, Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc. will accept a revised percentage based on the regional average after such time regional charity care data valued under the provider reimbursement methodology utilized by the Centers for Medicare and Medicaid Services for reimbursement under Title XVIII of the *Social Security Act*, 42 U.S.C. § 1395 et seq. is

Mr. Erik Bodin
Re: COPN Request No. VA-8467
November 22, 2019

available from Virginia Health Information. The value of charity care provided to individuals pursuant to this condition shall be based on the provider reimbursement

methodology utilized by the Centers for Medicare and Medicaid Services for reimbursement under Title XVIII of the *Social Security Act*, 42 U.S.C. § 1395 et seq.

Thank for your favorable consideration of Kaiser's COPN application.

Sincerely,



Joseph T. Butz
Chief Operating Officer

cc: Douglas R. Harris, J.D., Office of Adjudication
Virginia Department of Health

Dean Montgomery, Executive Director
Health Systems of Northern Virginia

Corie Rife, J.D., COPN Staff Analyst
Division of Certificate of Public Need

D. Patrick Lacy, Jr., Esq.
Reed Smith, LLP

Kent Stevens, President
Berkeley Medical Group, Inc.

November 22, 2019

Mr. Erik Bodin
Director
Division of Certificate of Public Need
Virginia Department of Health
9960 Mayland Drive, Suite 401
Henrico, Virginia 23233-1485

**Re: COPN Request No. VA-8467
Kaiser Foundation Health Plan of the
Mid-Atlantic States, Inc.
Woodbridge, Virginia 22192
Establish an Outpatient Surgical Hospital
with Four (4) Operating Rooms**

Dear Mr. Bodin:

This will acknowledge your November 19, 2016 letter (amended by email from Ms. Corie Rife on November 20, 2019) to Kent Stevens at Berkeley Medical Group concerning DCOPN's recommendation of conditional approval of the Kaiser Foundation Health Plan of the Mid-Atlantic States' ("Kaiser") application to establish an outpatient surgical hospital in Woodbridge, Virginia.

In response, Kaiser agrees to accept the condition recommended by the DCOPN and will provide surgical services to patients enrolled in the Charitable Health Access Program, the Medical Care for Children Partnership Program, the Medical Financial Assistance Program, and will facilitate the development and operation of primary medical care services to medically underserved persons in Planning District 8 in an aggregate amount equal to at least 4.3 % of Kaiser Permanente Woodbridge Surgery Center's patient service expenses. Compliance with this condition will be documented to the Division of Certificate of Public Need and the Health Systems Agency of Northern Virginia annually by providing audited or other appropriately certified financial statements documenting compliance with the preceding requirement.

Further, as provided by the *Code of Virginia*, Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc. will accept a revised percentage based on the regional average after such time regional charity care data valued under the provider reimbursement methodology utilized by the Centers for Medicare and Medicaid Services for reimbursement under Title XVIII of the *Social Security Act*, 42 U.S.C. § 1395 *et seq.* is

RECEIVED

NOV 22 2019

VDH/OIC

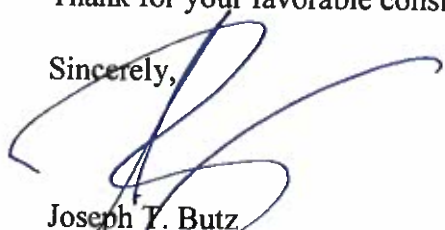
Mr. Erik Bodin
Re: COPN Request No. VA-8467
November 22, 2019

available from Virginia Health Information. The value of charity care provided to individuals pursuant to this condition shall be based on the provider reimbursement

methodology utilized by the Centers for Medicare and Medicaid Services for reimbursement under Title XVIII of the *Social Security Act*, 42 U.S.C. § 1395 *et seq.*

Thank for your favorable consideration of Kaiser's COPN application.

Sincerely,



Joseph T. Butz
Chief Operating Officer

cc: Douglas R. Harris, J.D., Office of Adjudication
Virginia Department of Health

Dean Montgomery, Executive Director
Health Systems of Northern Virginia

Corie Rife, J.D., COPN Staff Analyst
Division of Certificate of Public Need

D. Patrick Lacy, Jr., Esq.
Reed Smith, LLP

Kent Stevens, President
Berkeley Medical Group, Inc.

RECEIVED
NOV 22 2019
VDH/OLC



Rife, Corie <corie.rife@vdh.virginia.gov>

Re: Corrected Conditonal Approval Recommendation -- Kaiser VA-8467

1 message

Berkmed <berkmed@aol.com>
To: corie.rife@vdh.virginia.gov

Fri, Nov 22, 2019 at 2:41 PM

That's fine.

Kent Stevens, MS, MPH, LFACHE
President/CEO Berkeley Medical Group

bmg

LL: 540-665-5763

C: 540-454-1788 **(Please use this number)**

Regular and Overnight Mail Address

107 Elderberry Drive
Winchester, VA 22603

-----Original Message-----

From: Rife, Corie <corie.rife@vdh.virginia.gov>

To: Berkmed <berkmed@aol.com>

Sent: Fri, Nov 22, 2019 2:05 pm

Subject: Re: Corrected Conditonal Approval Recommendation -- Kaiser VA-8467

Hi Kent,

We discussed this issue a bit further. Piero will still be responding to your email regarding how the updated charity care language will be handled on the website. Because you agreed that this email thread is sufficient as far as paper trail for the changed language, we will simply highlight and note the change in the decision brief we send to the Commissioner (as opposed to drafting a new, duplicative letter). The new language will be included on the certificate, which is controlling document with regard to this project.

Best,
Corie

On Fri, Nov 22, 2019 at 1:18 PM Berkmed <berkmed@aol.com> wrote:
Corie,

This is fine as far as a paper trail goes for Kaiser. How will you deal with the report on the DCOPN web page that contains the original charity care condition?

Thanks.

Kent

Kent Stevens, MS, MPH, LFACHE
President/CEO Berkeley Medical Group

bmg

LL: 540-665-5763

C: 540-454-1788 (Please use this number)

Regular and Overnight Mail Address

107 Elderberry Drive
Winchester, VA 22603

-----Original Message-----

From: Rife, Corie <corie.rife@vdh.virginia.gov>

To: Berkmed <berkmed@aol.com>

Sent: Fri, Nov 22, 2019 12:16 pm

Subject: Re: Corrected Conditional Approval Recommendation -- Kaiser VA-8467

Hi Kent,

I discussed this matter with Mr. Bodin and Mr. Maninno. Rather than reissuing the report, we will be drafting a letter explaining the reasoning for the updated charity care language. That letter will then be sent to you and also be included in the decision package we send to Commissioner Oliver. As always, should you have any additional questions, please feel free to give me a call.

Best,
Corie

On Thu, Nov 21, 2019 at 12:23 PM Berkmed <berkmed@aol.com> wrote:

Corie,

I have incorporated this language into the acceptance letter which is being processed internally at Kaiser.

Kaiser is requesting that the revised language be included in a corrected report and reissued with the corrected language noted.

Thanks.

Kent

Kent Stevens, MS, MPH, LFACHE
President/CEO Berkeley Medical Group

bmg

LL: 540-665-5763

C: 540-454-1788 (Please use this number)

Regular and Overnight Mail Address

107 Elderberry Drive
Winchester, VA 22603

-----Original Message-----

From: Rife, Corie <corie.rife@vdh.virginia.gov>

To: Berkmed <berkmed@aol.com>
Cc: Mannino, Piero (VDH) <Piero.Mannino@vdh.virginia.gov>
Sent: Wed, Nov 20, 2019 1:34 pm
Subject: Re: Conditonal Approval Recommendation -- Kaiser VA-8467

Mr. Stevens,

Please see below DCOPN's new recommended charity care language for COPN Request No. VA-8467.

Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc. must provide surgical services to all patients enrolled in the Charitable Health Access Program, the Medical Care for Children Partnership Program, the Medical Financial Assistance Program, and will facilitate the development and operation of primary medical care services to medically underserved persons in Planning District 8 in an aggregate amount equal to at least 4.3% of Kaiser Permanente Woodbridge Surgery Center's patient service expenses. Compliance with this condition will be documented to the Division of Certificate of Public Need and the Health Systems Agency of Northern Virginia annually by providing audited or otherwise appropriately certified financial statements documenting compliance with the preceding requirement. Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc. will accept a revised percentage based on the regional average after such time regional charity care data valued under the provider reimbursement methodology utilized by the Centers for Medicare and Medicaid Services for reimbursement under Title XVIII of the Social Security Act, 42 U.S.C. § 1395 et seq. is available from Virginia Health Information. The value of charity care provided to individuals pursuant to this condition shall be based on the provider reimbursement methodology utilized by the Centers for Medicare and Medicaid Services for reimbursement under Title XVIII of the Social Security Act, 42 U.S.C. § 1395 et seq.

On Tue, Nov 19, 2019 at 3:50 PM Berkmed <berkmed@aol.com> wrote:
Thanks, Corie.

Kent Stevens, MS, MPH, LFACHE
President/CEO Berkeley Medical Group

bmg

LL: 540-665-5763
C: 540-454-1788 (Please use this number)

Regular and Overnight Mail Address
107 Elderberry Drive
Winchester, VA 22603

-----Original Message-----

From: Rife, Corie <corie.rife@vdh.virginia.gov>
To: Berkmed <berkmed@aol.com>
Cc: Mannino, Piero (VDH) <piero.mannino@vdh.virginia.gov>; Erik Bodin <erik.bodin@vdh.virginia.gov>; Dean Montgomery <hsanv@aol.com>
Sent: Tue, Nov 19, 2019 3:42 pm
Subject: Re: Conditonal Approval Recommendation -- Kaiser VA-8467

Hi Mr. Stevens,

Thank you for providing this information. I have discussed the issue with Mr. Bodin and Mr. Mannino. I will be in touch.

On Tue, Nov 19, 2019 at 3:31 PM Berkmed <berkmed@aol.com> wrote:
Corie,

I have attached a copy of the certificate that was issued for the 7th OR at Tysons. The charity care language is based **patient service costs** as Kaiser does not have patient service revenues. This language is consistent with certificates issued to Kaiser since 2010.

I have forwarded the staff report with the conditional recommendation to Kaiser for internal review as we may have to come up with some language that recognizes Kaiser as a group practice health plan.

Thanks.

Kent

**Kent Stevens, MS, MPH, LFACHE
President/CEO Berkeley Medical Group**

bmg

LL: 540-665-5763

C: 540-454-1788 **(Please use this number)**

Regular and Overnight Mail Address

107 Elderberry Drive
Winchester, VA 22603

--
Corie E. Rife, JD
Certificate of Public Need Analyst
Office of Licensure and Certification
Virginia Department of Health
(804) 367-2124

--
Corie E. Rife, JD
Certificate of Public Need Analyst
Office of Licensure and Certification
Virginia Department of Health
(804) 367-2124

--
Corie E. Rife, JD
Certificate of Public Need Analyst
Office of Licensure and Certification
Virginia Department of Health
(804) 367-2124

--
Corie E. Rife, JD

Certificate of Public Need Analyst
Office of Licensure and Certification
Virginia Department of Health
(804) 367-2124



COMMONWEALTH of VIRGINIA

Department of Health

Office of Licensure and Certification

M. Norman Oliver, MD, MA
State Health Commissioner

TTY 7-1-1 OR
1-800-828-1120

9960 Mayland Drive, Suite 401
Henrico, Virginia 23233-1485
FAX: (804) 527-4502

November 19, 2019

Mr. Kent Stevens
President
Berkeley Medical Group, Inc.
107 Elderberry Drive
Winchester, Virginia 22603

RE: **COPN Request No. VA-8467**
Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc.
Woodbridge, Virginia
Establish an Outpatient Surgical Hospital with Four Operating Rooms

Dear Mr. Stevens:

For your consideration, I enclose the Division of Certificate of Public Need (DCOPN) report and recommendations on the above referenced project. The Health Systems Agency of Northern Virginia (HSANV) recommended approval of Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc.'s request to establish an outpatient surgical hospital with four operating rooms. DCOPN is also recommending **conditional approval** of this application for the reasons listed in the attached staff report.

DCOPN does not believe reconsideration of its recommendations through the convening of an informal fact-finding conference (IFFC) is necessary. However, persons wishing to participate in an IFFC have four days from the date of this letter to submit written notification with the State Health Commissioner, the applicant and DCOPN stating grounds and providing a factual basis for good cause and standing.

Should DCOPN receive a petition for good cause standing, pursuant to Title 2.2 of the Code of Virginia, an informal fact-finding conference (IFFC) will be convened. This IFFC has been scheduled for December 2, 2019 at 10:00 a.m. in Board Room 2 of the Perimeter Center located at 9960 Mayland Drive in Henrico, Virginia 23233. A copy of the procedures for conduct at IFFCs may be found at <http://www.vdh.virginia.gov/OLC/copn/>.

DIRECTOR
(804) 387-2102

ACUTE CARE
(804) 367-2104

COPN
(804) 367-2126

VDH VIRGINIA
DEPARTMENT
OF HEALTH
Protecting You and Your Environment
www.vdh.virginia.gov

COMPLAINTS
1-800-855-1819

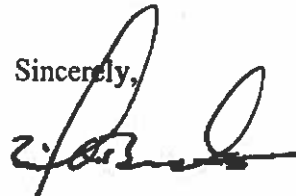
LONG TERM CARE
(804) 387-2100

Mr. Kent Stevens
COPN Request No. VA-8467
November 19, 2019
Page 2

Absent a petition for good cause standing, DCOPN will notify you of cancellation of the scheduled IFFC and forward this report and recommendation to the State Health Commissioner. DCOPN would anticipate action by the State Health Commissioner within a few weeks of transmission.

Should you have questions or need further clarification of this report and/or its recommendations, please feel free to call me at (804) 367-1889 or email me at Erik.Bodin@VDH.Virginia.Gov.

Sincerely,

A handwritten signature in black ink, appearing to read 'Erik Bodin', written over a horizontal line.

Erik Bodin, Director
Division of Certificate of Public Need

Enclosures

cc: Douglas R. Harris, J.D., Office of Adjudication, Virginia Department of Health
Dean Montgomery, Executive Director, Health Systems Agency of Northern Virginia

VIRGINIA DEPARTMENT OF HEALTH

Office of Licensure and Certification

Division of Certificate of Public Need

Staff Analysis

November 19, 2019

RE: COPN Request No. VA-8462

Virginia Hospital Center Edison, LLC
Arlington, Virginia

Establish an Outpatient Surgical Hospital with Four Operating Rooms

RE: COPN Request No. VA-8465

Franconia-Springfield Surgery Center, LLC
Alexandria, Virginia

Add One General-Purpose Operating Room

Re: COPN Request No. VA-8467

Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc.
Woodbridge, Virginia

Establish an Outpatient Surgical Hospital with Four Operating Rooms

Applicants

COPN Request No. VA-8462: Virginia Hospital Center Edison, LLC (VHCE)

Virginia Hospital Center Edison, LLC (VHCE) is a Virginia Limited Liability Corporation formed on December 14, 2018. VHCE has no subsidiaries. VHCE is wholly-owned by Virginia Hospital Center, Arlington Health System, doing business as Virginia Hospital Center (VHC). VHC is a not-for-profit, 394-bed independent hospital located in Arlington, Virginia. VHC anticipates that it will sell up to 49% of its ownership interests in the proposed new facility to other investors, primarily physicians associated with OrthoVirginia. VHC will retain no less than 51% of the proposed new facility's ownership. VHC is located in Planning District (PD) 8 and Health Planning Region (HPR) II.

COPN Request No. VA-8465: Franconia-Springfield Surgery Center, LLC (FSSC)

Franconia-Springfield Surgery Center, LLC (FSSC) is a Virginia Limited Liability Corporation. Inova Health Care Services (Inova Health System) maintains a majority membership interest in FSSC, and the remaining membership interests are held by physician investors. Each physician investor holds less than a 5% membership interest in the LLC, and collectively the physician investors hold less than 50% of the membership interests. FSSC has no subsidiaries. FSSC is located in PD 8 and HPR II.

COPN Request No. VA-8467: Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc. (KFHP)

Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc. (KFHP) is a Maryland non-stock, non-profit corporation founded in 2009. KFHP has no subsidiaries. KFHP is wholly-owned by Kaiser Foundation Health Plan, Inc., a California non-stock, non-profit corporation. KFHP is located in PD 8 and HPR II.

Background

PD 8 General Purpose Operating Rooms

According to 2017 VHI (Virginia Health Information) data, collectively, there were 179 certificate of public need (COPN) recognized general-purpose operating rooms (GPORs) located in PD 8 in 2017 (Table 1). The 131 GPORs located within acute care hospitals operated at a collective utilization of 96.6%, while the 48 located within outpatient surgical hospitals (OSHS) operated at a collective utilization of 87.2% for the same period. Together, all 179 PD 8 GPORs operated at a collective utilization of 94.0% for 2017. DCOPN notes that as of the date of this report, the following changes have occurred within the PD 8 inventory: Inova Fairfax Hospital is now licensed to operate a total of 47 GPORs pursuant to COPN No. VA-04541, issued December 15, 2016; Reston Hospital Center utilizes 12 GPORs in addition to a "Trauma OR" which is used for routine surgery when not occupied by a trauma patient; StoneSprings Hospital Center was approved to relocate one GPOR from the main campus in order to establish StoneSprings Surgery Center pursuant to COPN No. VA-04542, issued on December 15, 2016; and Reston Hospital Center was authorized to add two additional GPORs to its existing complement pursuant to COPN No. VA-04677, issued on October 8, 2019. These changes to the PD 8 inventory bring the current GPOR inventory to 188 GPORs—141 of which are located in acute care hospitals and 48 of which are located in OSHS.

Table 1. 2017 PD 8 General Purpose Operating Rooms and Utilization

Acute Care Hospitals	ORs	Total Hours	Hours/OR	%
Inova Alexandria Hospital	10	17,184	1,718	107.4%
Inova Fair Oaks Hospital	12	19,604	1,634	102.1%
Inova Fairfax Hospital*	39	80,399	2,062	128.8%
Inova Loudoun Hospital	8	12,392	1,549	96.8%
Inova Mount Vernon Hospital	7	9,266	1,324	82.7%
Haymarket Medical Center	4	1,528	382	23.9%
Prince William Medical Center	4	3,596	899	56.2%
Reston Hospital Center**	13	20,743	1,722	99.7%
Sentara Northern Virginia Medical Center	9	11,655	1,295	80.9%
StoneSprings Hospital Center***	7	2,329	333	20.8%
Virginia Hospital Center	18	23,679	1,316	82.2%
TOTAL and Average	141¹	202,375	1,545	96.6%
Outpatient Surgical Hospitals	ORs	Total Hours	Hours/OR	%
Fairfax Surgical Center	6	11,988	1,998	124.9%
Inova Ambulatory Surgery Center at Lorton	2	2,748	1,374	85.9%
Inova Loudoun Ambulatory Surgery Center	5	9,030	1,806	112.9%
Inova Surgery Center @ Franconia-Springfield	4	6,032	1,508	94.3%
Kaiser Permanente Tysons Corner Surgery Center	7	9,285	1,326	82.9%
Lake Ridge Ambulatory Surgical Center	1	840	840	52.5%
McLean Ambulatory Surgery, LLC	2	2,262	1,131	70.7%
Northern Virginia Eye Surgery Center, LLC	2	2,934	1,467	91.7%
Northern Virginia Surgery Center	4	4,540	1,135	70.9%
Prince William Ambulatory Surgery Center	4	3,353	838	52.4%
Reston Surgery Center	6	9,918	1,653	103.3%
StoneSprings Surgery Center***	1	N/A	N/A	N/A
Novant Prince William Haymarket ASC	2	1,727	864	54.0%
Pediatric Specialists of NV ASC	2	1,558	779	48.7%
Skin Cancer OSH	1	745	745	46.5%
TOTAL and Average	48²	66,960	1,395	87.2%
Grand TOTAL and Average	188³	269,335	1,505	94.0%

Source: VHI (2017), HSANV, and DCOPN records

Note *: Inova Fairfax Hospital approved to operate a total of 47 ORs pursuant to COPN No. VA-04541, issued December 15, 2016.

Note **: Reston utilizes 12 GPORs in addition to a "Trauma OR" which is used for routine surgery when not occupied by a trauma patient; Authorized to add two GPORs pursuant to COPN No. VA-04677, issued on October 8, 2019.

Note ***: StoneSprings Hospital Center approved to relocate one OR to establish StoneSprings Surgery Center pursuant to COPN No. VA-04542, issued on December 15, 2016.

¹ Though not used in the calculation for overall utilization, the total number of general purpose operating rooms located within acute care hospitals reflects the changes in inventory that occurred as a result of the issuance of COPN Nos. VA-04541 and 04542.

² Though not used in the calculation for overall utilization, the total number of general purpose operating rooms located within outpatient surgical hospitals reflects the changes in inventory that occurred as a result of the issuance of COPN No. VA-04542.

³ Total OR inventory for PD 8 is 188 ORs. This reflects the changes in inventory that occurred as a result of the issuance of COPN Nos. VA-04541 and 04542.

COPN Request No. VA-8462: Virginia Hospital Center Edison, LLC (VHCE)

VHC received COPN No. VA-03997 on January 10, 2006, authorizing it to add two additional GPORs to its originally authorized complement. These GPORs became operational in August 2007. DCOPN notes that the application for that project projected the resulting complement to perform a collective 13,860 general surgical cases by the year 2008. 2008 VHI data shows that VHC fell short of that projection, with a collective 12,475 cases performed in 2008. VHC added another two additional GPORs to its complement pursuant to COPN No. VA-04447, issued on August 13, 2013. Those GPORs became operational in March 2016. DCOPN notes that application for that project projected the resulting complement to perform a collective 16,897 general surgical cases by the year 2015. 2015 VHI data shows that VHC fell short of that projection, with a collective 13,875 general surgical cases performed in 2015.

According to 2017 data published by VHI, the most recent year for which such data is available, VHC is authorized to operate 18 GPORs (Table 1). For 2017, the 18 GPORs at VHC operated at a collective utilization of 82.2%. DCOPN notes that currently, VHC is the only acute care hospital in PD 8 without an associated freestanding outpatient surgery center.

COPN Request No. VA-8465: Franconia-Springfield Surgery Center, LLC (FSSC)

FSSC is one of three OSHs, and eight total medical facilities, operated by the Inova Health System in PD 8. FSSC was originally authorized under COPN No. VA-03280, issued on May 24, 1996, and became operational in 2001. Due to the age of the original certificate, DCOPN is unable to discern whether the applicant met the projections presented in the original application. According to 2017 data published by VHI, the most recent year for which such data is available, FSSC's four GPORs operated at a collective utilization of 94.3% (Table 1).

COPN Request No. VA-8467: Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc. (KFHP)

KFHP's existing PD 8 OSH, the Tysons Corner Surgery Center, was originally established under COPN No. VA-04259, issued on July 1, 2010. The certificate authorized six GPORs, all of which became operational in August 2012. DCOPN notes that application for that project projected the six GPORs to perform a collective 8,746 general surgical cases by the year 2014. 2014 VHI data shows that the Tysons Corner Surgery Center fell short of that projection, with a collective 6,947 cases performed in 2014. Tysons Corner Surgery Center added one additional GPOR to its complement pursuant to COPN No. VA-04540, issued on December 15, 2016. That GPOR became operational in October 2018. DCOPN notes that the application for that project projected the resulting complement to perform a collective 8,671 general surgical cases by the year 2018. DCOPN notes that because 2019 VHI data is not yet available, it cannot quantifiably confirm whether those projections have been met.

According to 2017 data published by VHI, the most recent year for which such data is available, the seven GPORs at KFHP's existing PD 8 OSH operated at a collective utilization of 82.9% (Table 1).

Proposed Projects

COPN Request No. VA-8462: Virginia Hospital Center Edison, LLC (VHCE)

VHCE proposes to establish an orthopedic OSH through the relocation of four existing GPORs from VHC to the proposed new VHC Ambulatory Surgery Center (VHCASC). The proposed new orthopedic-focused facility would be located approximately 7.7 miles (19 minutes), from VHC in an existing building in McLean, Virginia. The applicant intends to lease the ground floor of the building to provide "easily accessible outpatient orthopedic surgical services in a convenient, cost-effective environment." OrthoVirginia will lease the second and fifth floors of the building where it will provide physical therapy and office-based orthopedic services.

The total projected capital cost of the proposed project is \$15,388,076, with approximately 17% of the cost attributed to direct construction (**Table 2**). The applicant proposes to fund construction and equipment costs using conventional commercial loans, with the remaining expenses being funded using the accumulated reserves of the applicant. The applicant anticipates construction to commence in April 2020 and to be complete by December 2020. The applicant anticipates a January 2021 date of opening. The proposed project would have a neutral impact on the existing PD 8 GPOR inventory.

Table 2. Virginia Hospital Center Edison, LLC Projected Capital & Financing Costs

Direct Construction	\$2,597,517
Equipment Not Included in Contract	\$3,800,000
Site Acquisition Costs	\$5,345,211
Site Preparation Costs	\$434,145
Architectural & Engineering Fees	\$611,580
Other Consultant Fees	\$300,000
Taxes During Construction	\$62,089
Conventional Mortgage Loan Financing	\$221,226
TOTAL Capital Costs	\$13,371,768
Percent of Capital Costs to be Financed	49%
Dollar Amount of Long-Term Mortgage	\$6,525,542
Total Interest Cost on Long-Term Financing	\$2,016,308
TOTAL Capital and Financing Costs	\$15,388,076

Source: COPN Request No. VA-8462

COPN Request No. VA-8465: Franconia-Springfield Surgery Center, LLC (FSSC)

FSSC proposes to add one GPOR to its existing complement by relocating one GPOR from the Inova Ambulatory Surgery Center at Lorton. Should the proposed project be approved, the Inova Ambulatory Surgery Center at Lorton would delicense one of its GPORs as of the date FSSC commences the performance of surgeries in the new operating room. The applicant states that no construction or renovation is required to undertake the proposed project as the additional operating room will be created through the conversion of an existing procedure room. The only costs associated with the proposed project are equipment costs, totaling \$59,200, the entirety of which will be funded using the accumulated reserves of the applicant (**Table 3**). Accordingly, there are no

financing costs associated with this project. The applicant anticipates an April 2020 date of opening. The proposed project would have a neutral impact on the existing PD 8 GPOR inventory.

Table 3. Franconia-Springfield Surgery Center, LLC Projected Capital Costs

Equipment Not Included in Contract	\$59,200
TOTAL Capital and Financing Costs	\$59,200

Source: COPN Request No. VA-8465

COPN Request No. VA-8467: Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc. (KFHP)

KFHP proposes to establish an OSH with four GPORs. The proposed surgical services will be located in a full-service outpatient hub similar in clinical scope to the Tysons Corner Hub that became operational in 2012. In addition to the proposed OSH, the five-story hub will also include the following: (1) 144 exam rooms; (2) 102 provider offices for primary and specialty care; (3) ten behavioral health provider offices; (4) a clinical decision unit with 33 bays; (5) an outpatient procedure center with five rooms and eleven pre- and post-operation bays, and two private pre- and post-operation rooms; (6) imaging⁴; (7) ancillary service including pharmacy, laboratory, and optical shop; and (8) a six level parking garage and a surface lot totaling 1,210 parking spaces. The proposed new facility will replace the Woodbridge medical office building currently operated by the applicant. The future use of the Woodbridge building on Potomac Mills Road is still under review by the applicant.

The total projected capital cost of the proposed project is \$28,261,845, with approximately 46% of the cost attributed to direct construction (Table 4). The entire cost for the proposed project will be funded using the accumulated reserves of the applicant. Accordingly, there are no financing costs associated with this project. The applicant anticipates construction to commence on July 1, 2020 and to be complete by May 6, 2021. The applicant anticipates a November 1, 2021 date of opening. The proposed project would add four GPORs to the existing PD 8 inventory.

Table 4. Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc. Projected Capital Costs

Direct Construction	\$13,114,750
Equipment Not Included in Contract	\$14,300,210
Architectural & Engineering Fees	\$786,885
Other Consultant Fees	\$60,000
TOTAL Capital Costs	\$28,261,845

Source: COPN Request No. VA-8467

Project Definition

COPN Request No. VA-8462: Virginia Hospital Center Edison, LLC (VHCE)

Section 32.1-102.1 of the Code of Virginia defines a project, in the relevant parts, as the "establishment of a medical care facility." A medical care facility is defined, in part, as "specialized centers or clinics...developed for the provision of outpatient or ambulatory surgery..."

⁴ The applicant filed COPN Request No. VA-8468 on October 1, 2019 for the imaging modalities that, if approved by the Commissioner, will be located in the South NOVA Hub (CT, MRI, nuclear medicine, and PET-CT).

COPN Request No. VA-8465: Franconia-Springfield Surgery Center, LLC (FSSC)

Section 32.1-102.1 of the Code of Virginia defines a project, in the relevant parts, as “an increase in the total number of...operating rooms in an existing medical care facility.” A medical care facility is defined, in part, as “specialized centers or clinics...developed for the provision of outpatient or ambulatory surgery...”

COPN Request No. VA-8467: Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc. (KFHP)

Section 32.1-102.1 of the Code of Virginia defines a project, in the relevant parts, as the “establishment of a medical care facility.” A medical care facility is defined, in part, as “specialized centers or clinics...developed for the provision of outpatient or ambulatory surgery...”

The three COPN requests, COPN Requests Nos. VA-8462, VA-8465 and VA-8467, are considered competing requests. Per section 12VAC5-220-220 of the Virginia Medical Care Facilities Certificate of Public Need Rules and Regulations, applications for the same or similar services proposed for the same PD are considered competing applications. All three requests that are the subject of this review include general surgical services and therefore are considered competing with respect to surgical services.

Required Considerations -- § 32.1-102.3, of the Code of Virginia

In determining whether a public need exists for a proposed project, the following factors shall be taken into account when applicable.

- 1. The extent to which the proposed service or facility will provide or increase access to needed services for residents of the area to be served, and the effects that the proposed service or facility will have on access to needed services in areas having distinct and unique geographic, socioeconomic, cultural, transportation, and other barriers to access to care;**

As will be discussed in more detail throughout this staff analysis report, Weldon-Cooper projects that the total population of PD 8 will increase by approximately 16% (356,377 people) from 2010 to 2020 and by approximately 14% (350,128 people) from 2020 to 2030. Regarding the 65+ age group for PD 8, Weldon-Cooper projects a more rapid increase in population growth (an approximate 56% increase (107,902 people) from 2010 to 2020 and approximately 38% (112,778 people) from 2020 to 2030). This is significant as this population group typically uses health care resources, including surgical services, at a rate much higher than those individuals under the age of 65. When compared to statewide population projections for the same period, it is evident that the population of PD 8 is increasing a much faster rate than Virginia as a whole. Weldon-Cooper projects that statewide, the total population will increase by approximately 8% from 2010 to 2020 and by another 8% from 2020 to 2030. Weldon-Cooper further projects that statewide, the 65+ age cohort population will increase at a rate of approximately 38% from 2010 to 2030 and approximately 27% from 2020 to 2030.

With regard to poverty rates, the United States Census Bureau reports that the Virginia statewide poverty rate was 10.7% based on July 1, 2018 estimates. Comparatively, the same data demonstrates

that each of the three individual project communities have poverty rate percentages significantly lower than the state average (VHC: 3.1%; FSSC: 3.5%; KFHP: 6.1%).

DCOPN also notes that for 2017, the most recent year for which VHI charity care contribution data is available, the average HPR II contribution was 4.3% of total gross patient services revenue (Table 5).

Table 5. HPR II 2017 Charity Care Contributions

Health Planning Region II			
2017 Charity Care Contributions at or below 200% of Federal Poverty Level			
Hospital	Gross Patient Revenues	Adjusted Charity Care Contribution	Percent of Gross Patient Revenue:
Novant Health UVA Health System Prince William Medical Center	\$486,755,131	\$41,131,289	8.45%
Sentara Northern Virginia Medical Center	\$843,733,000	\$48,798,667	5.78%
Inova Mount Vernon Hospital	\$459,731,206	\$25,268,629	5.50%
Inova Alexandria Hospital	\$882,503,794	\$48,235,851	5.47%
Inova Fairfax Hospital	\$3,200,076,133	\$155,686,282	4.87%
Inova Loudoun Hospital	\$695,206,726	\$27,592,571	3.97%
Inova Fair Oaks Hospital	\$642,557,622	\$21,275,398	3.31%
Novant Health UVA Health System Haymarket Medical Center	\$237,376,864	\$7,661,395	3.23%
Virginia Hospital Center	\$1,240,732,950	\$33,068,670	2.67%
Reston Hospital Center	\$1,153,120,639	\$12,648,498	1.10%
StoneSprings Hospital Center	\$156,479,524	\$1,021,413	0.65%
Total Facilities			11
Median			4.0%
Total \$ & Mean %	\$9,841,794,065	\$422,388,663	4.3%

Source: VHI 2017

COPN Request No. VA-8462: Virginia Hospital Center Edison, LLC (VHCE)

Geographically, the proposed new facility will be readily accessible to residents of PD 8. The proposed site is accessible to public transportation and the major roadways that service Northern Virginia. The location is less than one mile from the Capital Beltway (I-495) and is easily accessible through the interchange at I-495 and Route 123 (Dolley Madison Boulevard). The site is located approximately 0.5 miles from the McLean Metro Station and is also easily accessible via the Fairfax Connector, the public bus system that services the region. The Fairfax Connector has two bus routes that cover the proposed site and connect to other public transportation systems like the Metro Rail Silver Line.

Regarding socioeconomic factors relevant to the proposed application, the pro forma income statement provided the applicant proffered charity care in the amount of 3% to be derived from gross patient services revenue. While this amount is consistent with the 3.0% system-wide charity care condition previously in place for the Virginia Hospital Center Arlington Health System (most

recently cited in COPN Nos. VA-04447 and VA-04448), DCOPN notes that this condition expired in August 2017. Accordingly, should the proposed project be approved, DCOPN recommends a charity care condition consistent with the 4.3% HPR II average, to be derived from gross patient services revenue. DCOPN also notes that as briefly discussed above, the United States Census Bureau reported a poverty rate of 3.1% for McLean, Virginia based on population estimates as July 1, 2018. This rate is significantly lower than the 10.7% Virginia rate and also is lower than the poverty rates reported for each competing applicants' project community.

COPN Request No. VA-8465: Franconia-Springfield Surgery Center, LLC (FSSC)

Geographically, the proposed project is readily accessible to residents of PD 8. FSSC is located approximately three miles east of I-95. The facility is accessible from the north and south via I-95 and from the east and west via the Franconia/Springfield Parkway. Public bus transportation is available at the Metro Park Office Park and metro-rail is also available within two miles at the Franconia-Springfield metro station.

Regarding socioeconomic factors relevant to the proposed application, DCOPN notes that should the proposed project be approved, it would be subject to the 4.1% system-wide charity care condition currently in place for the Inova Health System (most recently cited in COPN No. VA-04381 issued on June 28, 2018). DCOPN also notes that as briefly discussed above, the United States Census Bureau reported a poverty rate of 3.5% for Alexandria, Virginia based on population estimates as of July 1, 2018. This rate is significantly lower than the 10.7% Virginia rate and also is lower than the rate reported for the KFHP project community. However, this poverty rate is minimally higher than that of the VHC project community.

COPN Request No. VA-8467: Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc. (KFHP)

Geographically, the proposed project is readily accessible to residents of PD 8. KFHP will be located two miles from I-95 at the Prince William Parkway exit. Public bus service is available through the Potomac and Rappahannock Transit Commission (PRTC), which provides local scheduled and on-demand transportation as well as Cross-County Connector service from Manassas. The applicant has additionally stated that it intends to work with PRTC to construct an on-site bus shelter.

Regarding socioeconomic factors relevant to the proposed applicant, the Pro Forma income statement provided by the applicant proffered to provide charity care in the amount of 4.3% based on patient care expenses, an amount consistent with the HPR II average. Accordingly, should the proposed project be approved, DCOPN recommends a charity care condition of 4.3% to be derived from the applicant's patient service expenses at the proposed new facility. DCOPN also notes that as briefly discussed above, the United States Census Bureau reported a poverty rate of 6.1% for Prince William County, Virginia based on population estimates as of July 1, 2018. While this rate is significantly lower than the 10.7% Virginia rate, it is substantially higher than the rates reported for each competing applicants' project community.

2. The extent to which the project will meet the needs of the residents of the area to be served, as demonstrated by each of the following:

- (i) The level of community support for the project demonstrated by citizens, businesses, and governmental leaders representing the area to be served;**

COPN Request No. VA-8462: Virginia Hospital Center Edison, LLC (VHCE)

DCOPN received numerous letters of support for the proposed project. Authors of these letters included members of the Arlington Chamber of Commerce, Virginia elected officials, VHC physicians and staff, and OrthoVirginia physicians. Collectively, these letters addressed the following:

- The applicant reflects a collaborative effort of VHC and OrthoVirginia to meet the needs of the community for an outpatient facility focused on orthopedics.
- The facility would provide a cost-effective, outpatient alternative for patients in need of specialized care.
- Outpatient orthopedic surgery is one of the most common types of outpatient surgeries; advancements in anesthesia and surgical techniques and adapting payor reimbursement continue to drive the shift of orthopedic surgical procedures from the inpatient setting and even hospital-based outpatient departments to freestanding outpatient facilities.
- There are currently no options for specialized orthopedic ambulatory surgery centers in Northern Virginia. At the same time, existing multi-specialty ASCs in the region are generally well utilized and do not meet the needs of OrthoVirginia patients. Many facilities are difficult to access for OrthoVirginia surgeons who are not investors in the facilities.
- Scheduling orthopedic cases at multi-specialty ASCs is particularly problematic because of the complexity of outpatient surgical procedures. In general, those procedures require specialized staff, longer operating times in the operating room, and more time for preparation and clean-up—particularly when performed after non-orthopedic procedures.
- The orthopedic focus of the facility will mitigate operational issues common at multi-purpose facilities, including lack of block time, inefficient turnaround times, and generally high utilization. With operating rooms set up for orthopedic surgical procedures only, the proposed ASC will optimize operational efficiency and ensure access to predictably scheduled block time for OrthoVirginia's orthopedic surgeons, and to orthopedic-focused care for our Northern Virginia patients.
- The ASC would be located in an easily accessible location that combines the full spectrum of orthopedic care and supports continuity and coordination of care.
- The ASC's operating rooms would be derived from entirely relocated capacity, leaving the number of operating rooms in the region unchanged.
- VHC is a high-quality health care provider that has been recognized as one of the nation's top 100 hospitals, a distinction it has earned several years in a row. OrthoVirginia has earned the same kind of reputation for its excellent orthopedic care. Both place the highest value on patient satisfaction and the importance of providing comprehensive medical care at a reasonable cost to the consumer. The joint decision to request permission to create a surgical center demonstrates a desire to implement these goals.

DCOPN did not receive any letters in opposition to the proposed project.

COPN Request No. VA-8465: Franconia-Springfield Surgery Center, LLC (FSSC)

DCOPN received several letters of support for the proposed project from area physicians. Collectively, these letters addressed the following:

- Approval of the proposed project will increase surgical capacity in a very busy and accessible HealthPlex in Northern Virginia.
- The proximity of Franconia-Springfield Surgery Center to other Inova hospitals will allow for seamless hospital transfers if needed.

DCOPN did not receive any letters in opposition to the proposed project.

COPN Request No. VA-8467: Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc. (KFHP)

DCOPN received numerous letters of support for the proposed project. Authors of these letters included physicians associated with KFHP and Virginia elected officials. Collectively, they addressed the following:

- Continuity of geographic access by Kaiser members will be enhanced through the development of a second specialty hub to serve Kaiser's south NOVA catchment area.
- The proposed project will reduce wait times for service for Kaiser members.
- The proposed project will provide operational relief to the existing seven operating rooms at Tysons that are experiencing high utilization levels and extended service hours.
- Co-location of outpatient surgery and a full array of diagnostic services (if approved) together with urgent care allows for a more complete and efficient patient evaluation with greater patient convenience.
- The South NOVA Hub will be a key component of the region's Hub model of care. The multi-specialty Hub is the cornerstone ensuring the service area can move patients along the continuum of care, 24 hours a day, while improving integrated multispecialty care in the community.
- The establishment of the Kaiser Permanente South NOVA hub will allow Kaiser to provide more comprehensive outpatient services to its patients with more complex conditions in a clinically integrated setting. The Hub will be centrally located to improve geographic access to care for Kaiser members living or working in southeastern Fairfax County, Prince William and points south along the I-95 corridor toward Fredericksburg.
- A high level of integration and internalization of services at Kaiser's hubs allows patients to receive multiple services in the course of one visit to a center, permits better coordination of care, and consolidates Kaiser's members' medical information in one place through Kaiser's electronic health record system.

DCOPN did not receive any letters in opposition to the proposed project.

Public Hearing

The Health Systems Agency of Northern Virginia conducted the required public hearing on October 7, 2019. There was no public testimony on the applications beyond the statements of support submitted with the applications. The Project Review Committee voted to recommend approval of all three projects.

(ii) The availability of reasonable alternatives to the proposed service or facility that would meet the needs of the population in a less costly, more efficient, or more effective manner;

COPN Request No. VA-8462: Virginia Hospital Center Edison, LLC (VHCE)

As previously discussed, the most recently published VHI data (2017) reported a 94.0% collective utilization rate among existing GPORs in PD 8 (Table 1). The same data reported an 87.2% collective utilization rate among existing GPORs located within PD 8 OSHs, and a 96.6% collective utilization rate among existing GPORs located within PD 8 acute care hospitals. More specifically, the 18 GPORs located at VHC operated at a collective utilization rate of only 82.2% for the same period. As will be discussed in more detail later in this staff analysis report, DCOPN has calculated a net surplus of five GPORs in PD 8 for the 2024 planning year. DCOPN notes however, that the proposed project will not add to this existing surplus. Rather, DCOPN concludes that the proposed transfer of four operating rooms from the underutilized VHC complement to a new freestanding, orthopedic-focused OSH would help to improve the utilization of existing GPORs at VHC while simultaneously improving patient access for PD 8 residents in need of outpatient orthopedic surgery services. Additionally, DCOPN concludes that approval of the proposed project would improve cost and scheduling efficiencies for VHC. Accordingly, DCOPN concludes that the status quo is not a better alternative to the proposed project.

COPN Request No. VA-8465: Franconia-Springfield Surgery Center, LLC (FSSC)

The four existing GPORs at FSSC operated at a collective utilization of 94.3% in 2017, while the two existing GPORs at Inova Loudoun Surgery Center at Lorton, the facility from which the applicant proposes to transfer the requested GPOR, operated at a collective utilization of 85.9% for the same period (Tables 1 and 6). All 87 GPORs existing within PD 8 Inova facilities operated at a collective utilization of 112.5% in 2017 (Table 6).

While the proposed project would ultimately have a neutral impact upon the existing PD 8 inventory, it is possible that the transfer, as proposed, would result in a need for additional capacity at the Lorton facility. DCOPN has calculated that the transfer would result in a utilization rate of approximately 171.8% at the Lorton facility (derived by adjusting the total number of ORs by one, while maintaining the same number of surgical cases). However, DCOPN concludes that transferring a GPOR from any of Inova's PD 8 facilities would likely produce the same effect, as all of Inova's facilities are heavily utilized. Regarding this issue, the applicant provided the following:

"Many of the physicians who are members of the Inova Ambulatory Surgery Center at Lorton entity are expected to become members of the Inova Franconia-Springfield Ambulatory Surgery Center entity, at which time their membership in the Lorton entity would end. Accordingly, it is anticipated that there will be a shift in surgical case volume from the Inova Ambulatory Surgery Center at Lorton to the Inova Franconia-Springfield Ambulatory Surgery Center."

Because all of Inova Health System's existing PD 8 GPORs are heavily utilized, and because the applicant anticipates surgical volume to shift from the Lorton facility to FSSC upon completion of the proposed project, DCOPN concludes transferring the requested GPOR from a different facility is not necessarily a more efficient alternative to the proposed project. Furthermore, DCOPN concludes

that project, as proposed, is a better option than adding an additional GPOR, as the proposed project is inventory neutral and will not add to the existing PD 8 surplus. Additionally, DCOPN contends that converting a special procedure room to a licensed GPOR is a cost-effective way to add needed capacity without incurring substantial capital expense.

Table 6. 2017 PD 8 Inova Health Care Services System GPOR Utilization

Facility	ORs	Total Hours	Hours/OR	%
Inova Alexandria Hospital	10	17,184	1,718	107.4%
Inova Fair Oaks Hospital	12	19,604	1,634	102.1%
Inova Fairfax Hospital*	39	80,399	2,062	128.8%
Inova Loudoun Hospital	8	12,392	1,549	96.8%
Inova Mount Vernon Hospital	7	9,266	1,324	82.7%
Inova Ambulatory Surgery Center at Lorton	2	2,748	1,374	85.9%
Inova Loudoun Ambulatory Surgery Center	5	9,030	1,806	112.9%
Inova Surgery Center @ Franconia-Springfield	4	6,032	1,508	94.3%
TOTAL and Average	87	156,655	1,801	112.5%

Source: VHI (2017), HSANV, and DCOPN records

Note *: Inova Fairfax Hospital approved to operate a total of 47 ORs pursuant to COPN No. VA-04541, issued December 15, 2016. These GPORs are expected to become operational in December 2019.

COPN Request No. VA-8467: Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc. (KFHP)

As previously discussed, the applicant currently operates seven GPORs at the Kaiser Permanente Tysons Corner Surgery Center. For 2017, those seven GPORs operated at a collective utilization of 82.9% (Table 1). As will be discussed in more detail later in this staff analysis report, DCOPN has calculated a net surplus of five GPORs in PD 8 for the 2024 planning year. However, despite this surplus, DCOPN concludes that a reasonable, more efficient alternative to the proposed project does not exist. First, DCOPN notes that the 179 PD 8 GPORs in operation in 2017 operated at a collective utilization of 94%. Even with the recent additions to the PD 8 inventory, DCOPN has calculated a current utilization of approximately 90% among PD 8's current inventory of 188 GPORs (derived by adjusting the number of GPORs while maintaining the same number of surgical cases reported in 2017). Because the total population of PD 8 is expected to continue to increase at a faster rate than the rest of Virginia as a whole, and because the existing PD 8 inventory currently operates at a high utilization rate, DCOPN contends that adding four GPORs to the small existing surplus will not necessarily be problematic. Additionally, DCOPN contends that transferring the requested GPORs from the Kaiser Permanente Tysons Corner Surgery Center is impractical. The transfer of only one GPOR from the Tysons Corner location would result in a collective utilization of 96.7% among the six remaining GPORs, thereby creating an immediate institutional need at that facility.

(iii) Any recommendation or report of the regional health planning agency regarding an application for a certificate that is required to be submitted to the Commissioner pursuant to subsection B of § 32.1-102.6;

COPN Request No. VA-8462: Virginia Hospital Center Edison, LLC (VHCE)

The Health Systems Agency of Northern Virginia (HSANV) Board of Directors reviewed at its October 14, 2019 meeting the COPN application filed by Virginia Hospital Center Edison

(COPN Request No. VA-8462) that seeks authorization to establish an outpatient surgical hospital through the relocation of four existing general purpose operating rooms from Virginia Hospital Center. The Board voted unanimously (10 in favor) to recommend approval of the application.

The Board based the recommendation on its review of the application, on the HSANV staff report on the proposal, on the testimony and evidence presented at the October 7, 2019 public hearing and the October 14, 2019 Board of Directors meeting held on the application, and on several basic findings and conclusions, including:

1. Virginia Hospital Center has high surgery service use and increasing demand. It is the only acute care hospital in the region without an associated freestanding outpatient surgery center.
2. The project submitted, a joint venture with OrthoVirginia to establish an orthopedic ambulatory surgery center, would not increase the number of operating rooms in the planning region (PD 8).
3. The project is in harmony with other capital projects being undertaken to modernize surgery services, inpatient and outpatient, at Virginia Hospital Center.
4. There is no indication that establishing a Virginia Hospital Center controlled outpatient surgical hospital in northeastern Fairfax County, to accommodate current and projected demand at VHC, would affect negatively other surgery services.
5. Virginia Hospital Center is an experienced provider of surgery services and has acceptable charity care policies and practices.
6. The project is consistent with applicable requirements of the Virginia State Medical Facilities Plan, including the institutional need provision.

DCOPN agrees with the HSANV recommendation for approval, and concurs with, and adopts, the attached HSANV staff report and analysis.

COPN Request No. VA-8465: Franconia-Springfield Surgery Center, LLC (FSSC)

The HSANV Board of Directors reviewed at its October 14, 2019 meeting the COPN application filed by Franconia-Springfield Surgery Center, LLC (COPN Request No. VA-8465) that seeks authorization to add one general-purpose operating room to its existing complement through the transfer of one operating room from the Inova Ambulatory Surgery Center at Lorton. The Board voted nine in favor and none opposed, with one abstention, to recommend approval of the application.

The Board based the recommendation on its review of the application, on the HSANV staff report on the proposal, on the testimony and evidence presented at the October 7, 2019 public hearing and the October 14, 2019 Board of Directors meeting held on the application, and on several basic findings and conclusions, including:

1. Franconia-Springfield Surgery Center has high service volumes and increasing demand. Additional capacity is needed to meet current and projected demand.

2. The project submitted, the conversion of an existing a special procedures room to a licensed operating room, is a cost-effective way to add needed capacity without incurring substantial capital expense.
3. The project would not increase the number of licensed operating rooms in the region. The licensed authority for the additional operating rom would be transferred from Inova Ambulatory Surgery Center at Lorton. This paper transaction would permit more efficient use of Inova resources and the recovery of sunk costs.
4. The project is compatible with evolving medical trade and investment patterns within Inova Health System and in southeastern Fairfax County.
5. There is no indication that relocating surgery capacity from Inova's Lorton surgery center to its Springfield surgery center would affect negatively other surgery services.
6. The project is consistent with applicable requirements of the Virginia State Medical Facilities Plan, including the institutional need provision.

DCOPN agrees with the HSAHV recommendation for approval, and concurs with, and adopts, the attached HSAHV staff report and analysis.

COPN Request No. VA-8467: Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc. (KFHP)

The HSAHV Board of Directors reviewed at its October 14, 2019 meeting the COPN application filed by Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc., (COPN Request No. VA-8467) that seeks authorization to establish an outpatient surgical hospital with four operating rooms. The Board voted eight in favor and none opposed, with two abstentions, to recommend approval of the application.

The Board based the recommendation on its review of the application, on the HSAHV staff report on the proposal, on the testimony and evidence presented at the October 7, 2019 public hearing and the October 14, 2019 Board of Directors meeting held on the application, and on several basic findings and conclusions, including:

1. Kaiser Foundation health Plan membership has grown significantly over the last decade and is expected to continue to grow steadily.
2. Kaiser's Tysons Corner Surgery Center has high use and increasing demand. Recent surgery volumes result in average operating room use substantially above the Virginia State Medical Facilities Plan planning standard.
3. Through there is no indication of general region wide need for additional surgery services or operating rooms, expansion of the Kaiser service appears to be necessary to permit the plan to meet demand and to function efficiently.
4. There is no indication that establishing an outpatient surgery center in eastern Prince William County to serve Kaiser health plan members would affect negatively other surgery services.
5. Kaiser is an experienced provider of surgery services and has acceptable charity care policies and practices.
6. The project is consistent with applicable requirements of the Virginia State Medical Facilities Plan, including the institution need provision of the plan.

DCOPN agrees with the HSAHV recommendation for approval, and concurs with, and adopts, the attached HSAHV staff report and analysis.

(iv) Any costs and benefits of the project;

COPN Request No. VA-8462: Virginia Hospital Center Edison, LLC (VHCE)

As demonstrated by **Table 2**, the total projected capital and financing costs of the proposed project total \$15,388,076 (capital costs alone total \$13,371,768). The applicant proposes to fund the construction and equipment costs using conventional commercial loans, with the remaining expenses being funded using the accumulated reserves of the applicant. DCOPN concludes that when compared to similar PD 8 projects, these costs are reasonable (COPN No. VA-04661 that authorized the establishment of an OSH with two GPORs and had an authorized capital cost of \$7,096,128; COPN No. VA-04587 that authorized the establishment of an OSH with two GPORs and had an authorized capital cost of \$2,900,779).

Regarding benefits of the proposed project, the applicant provided the following:

"The relocation of four existing general purpose operating rooms from VHC to VHCASC is wholly consistent with VHC's core principles and mission. VHCASC will be better able to (i) serve the need for outpatient surgical capacity in VHC's primary service area; (ii) provide high quality care in a lower cost environment; (iii) utilize integrated information technology to manage continuity of care; (iv) achieve high levels of patient satisfaction by providing a convenient outpatient surgical option; (v) manage underutilized hospital OR capacity prudently by relocating this capacity to a modern outpatient environment; and (vi) facilitate needed updates for some of VHC's older, outdated operating rooms."

COPN Request No. VA-8465: Franconia-Springfield Surgery Center, LLC (FSSC)

As demonstrated by **Table 3**, the total projected capital costs of the proposed project total \$59,200, the entirety of which will be funded using the accumulated reserves of the applicant. When compared to the costs of similar projects in PD 8 (cited above), DCOPN concludes that the projected costs for this project are reasonable.

Regarding benefits of the proposed project, the applicant stated that the addition of the proposed GPOR would improve access to the facility's growing service area population without impacting the number of COPN-authorized GPORs in PD 8.

COPN Request No. VA-8467: Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc. (KFHP)

As demonstrated by **Table 4**, the total projected capital costs of the proposed project total \$28,261,845, the entirety of which will be funded using the accumulated reserves of the applicant. Accordingly, there are no financing costs associated with this project. When compared to the costs of similar projects in PD 8 (cited above), and considering the large scope of the proposed project, DCOPN concludes that the projected costs for this project are reasonable.

Regarding the benefits of the proposed project, the applicant provided the following:

"Strategic drivers for the new South NOVA Hub include:

- *Improved access to care: The proposed Hub will increase the Northern Virginia service area's 30-minute specialty care access from 55% in 2017 to 78% and from 18% to 71% in the south submarket.*
- *Addresses capacity constraints: The Northern Virginia service area is supported by one Hub in the northern submarket with smaller specialty practices housed in medical office buildings across the service area. Membership growth projections and capacity modeling show that Northern Virginia will have service significant resource deficits—including exam rooms, operating rooms, and diagnostic imaging services.⁵*
- *Replaces Woodbridge medical office building: The replacement of the facility with the South NOVA Hub will significantly improve functional and operation efficiencies."*

(v) The financial accessibility of the project to the residents of the area to be served, including indigent residents; and

COPN Request No. VA-8462: Virginia Hospital Center Edison, LLC (VHCE)

The Pro Forma Income Statement (**Table 7**) provided by the applicant proposes the provision of 3% charity care (reflected in the "Deductions from Revenue" line) based on gross patient services revenue. However, for reasons previously discussed in this staff analysis report, should the proposed project be approved, DCOPN recommends a charity care condition of 4.3%.

Table 7. Virginia Hospital Center Edison, LLC Pro Forma Income Statement

	Year 1	Year 2
Gross Patient Services Revenue	\$41,714,708	\$45,527,432
Deductions from Revenue	\$27,787,371	\$30,327,137
Net Patient Services Revenue	\$13,927,337	\$15,200,296
Total Operating Expenses	\$11,702,319	\$12,188,730
Excess Revenue Over Direct Operating Expenses	\$2,225,018	\$3,011,566

Source: COPN Request No. VA-8462

COPN Request No. VA-8465: Franconia-Springfield Surgery Center, LLC (FSSC)

The Pro Forma Income Statement (**Table 8**) provided by the applicant proposes the provision of 2% charity care (reflected in the "Deductions from Revenue" line) based on gross patient services revenue. However, DCOPN notes that should the proposed project be approved, it would be subject to the 4.1% system-wide charity care condition currently in place for the Inova Health Care Services System (most recently cited in COPN No. VA-04381 issued on June 28, 2018).

⁵ The applicant states that since 2012, Kaiser's Northern Virginia membership has grown from 184,000 to 252,883 in 2019 (37% increase). Over the next five years (through 2024), the applicant projects this membership base will increase by 38% to 349,908.

Table 8. Franconia-Springfield Surgery Center, LLC Pro Forma Income Statement

	Year 1	Year 2
Gross Patient Services Revenue	\$51,883,494	\$53,981,454
Deductions from Revenue	\$38,113,168	\$39,724,665
Net patient Services Revenue	\$13,770,326	\$14,256,789
Total Operating Expenses	\$10,052,425	\$10,457,183
Excess Revenue Over Direct Operating Expenses	\$3,717,901	\$3,799,606

Source: COPN Request No. VA-8465

COPN Request No. VA-8467: Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc. (KFHP)

The Pro Forma expense statement provided by the applicant (**Table 9**) proposes the provision of 4.3% charity care based on patient care expenses, an amount that is consistent with the HPR II charity care average. While this amount is consistent with the HPR II average. Accordingly, should the proposed project be approved, DCOPN recommends a charity care condition of 4.3% to be derived from the applicant's patient service expenses at the proposed new facility.

Table 9. Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc. Pro Forma Expense Statement

Statistics	Year 1	Cost Per Case	Year 2	Cost Per Case
Cases	2,798		2,975	
Indirect Fixed Costs				
Depreciation	\$301,600	\$108	\$320,603	\$108
PMG Overhead	\$1,278,163	\$457	\$1,399,922	\$471
Malpractice	\$471,552	\$169	\$516,472	\$174
Local Administration	\$204,672	\$73	\$224,169	\$75
Regional Administration	\$1,386,377	\$496	\$1,518,445	\$510
IT/Other	\$877,438	\$314	\$961,024	\$323
Facility	\$451,429	\$161	\$494,433	\$166
Subtotal	\$4,971,130	\$1,777	\$5,435,069	\$1,827
Direct Fixed Costs				
Facility Depreciation	\$417,288	\$149	\$417,288	\$140
Equipment Depreciation	\$2,042,887	\$730	\$2,042,887	\$687
Subtotal	\$2,460,175	\$879	\$2,460,175	\$827
Direct Variable Costs				
Supply	\$4,232,255	\$1,513	\$4,635,425	\$1,558
Labor	\$5,514,788	\$1,971	\$6,040,134	\$2,030
Physician	\$6,297,068	\$2,251	\$6,896,935	\$2,318
Mid-Level PMG	\$296,918	\$106	\$325,202	\$109
Subtotal	\$16,341,029	\$5,841	\$17,897,696	\$6,016
Facility Total	\$23,772,333	\$8,497	\$25,792,939	\$8,670
Charity Care (4.3%)	\$1,022,210	\$365	\$1,109,096	\$373
Facility Net	\$24,794,544	\$8,863	\$26,902,036	\$9,043

Source: COPN Request No. VA-8467

(vi) At the discretion of the Commissioner, any other factors as may be relevant to the determination of public need for a project;

COPN Request No. VA-8462: Virginia Hospital Center Edison, LLC (VHCE)

DCOPN did not identify any other factors, not discussed elsewhere in this staff analysis report, to bring to the attention of the Commissioner as may be relevant to determining a public need for the proposed project.

COPN Request No. VA-8465: Franconia-Springfield Surgery Center, LLC (FSSC)

DCOPN did not identify any other factors, not discussed elsewhere in this staff analysis report, to bring to the attention of the Commissioner as may be relevant to determining a public need for the proposed project.

COPN Request No. VA-8467: Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc. (KFHP)

DCOPN did not identify any other factors, not discussed elsewhere in this staff analysis report, to bring to the attention of the Commissioner as may be relevant to determining a public need for the proposed project.

3. The extent to which the application is consistent with the State Medical Facilities Plan;

The State Medical Facilities Plan (SMFP) contains criteria and standards for the establishment of outpatient surgical hospitals and for the expansion of surgical services at an existing medical facility. They are as follows:

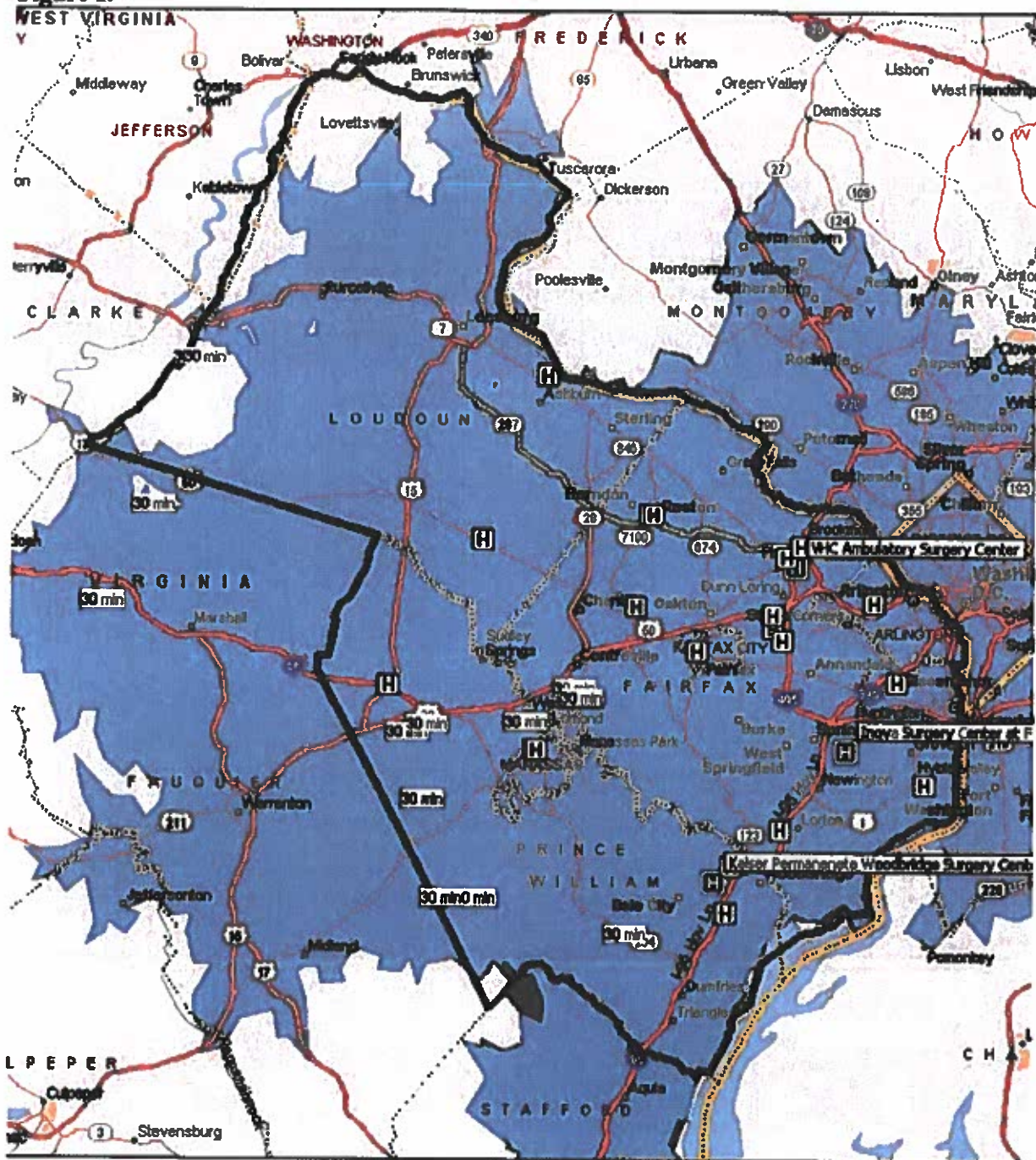
**Part V
General Surgical Services**

12VAC5-230-490. Travel Time.

Surgical services should be available within 30 minutes driving time one way under normal conditions of 95% of the population of the health planning district using mapping software as determined by the commissioner.

The heavy black line in **Figure 1** identifies the boundary of PD 8. The white "H" signs in **Figure 1** mark the locations of all existing (both inpatient and outpatient) COPN approved GPORs located within PD 8. The blue "H" signs mark the locations of the proposed projects. The blue shaded area in **Figure 1** illustrates the area of PD 8 and the surrounding area that is within a 30-minute drive of existing inpatient and outpatient surgical services. The green shading represents the area within 30-minutes of the proposed projects that are not currently within 30-minutes of existing surgical services. Given the amount of shaded area, it is reasonable to conclude that surgical services are currently available within 30-minutes normal driving time one way under normal conditions of 95% of the population of PD 8. Additionally, DCOPN notes that the locations of existing surgical services in PD 8 are widely distributed across the planning district. While the map indicates a small portion of PD 8 is not currently within the 30-minute drive time designated by the SMFP, DCOPN concludes that this area is nominal and approval of any of the proposed projects would not improve geographic access to surgical services in PD 8 in any meaningful way.

Figure 1.



12VAC5-230-500. Need for New Service.

- A. The combined number of inpatient and outpatient general purpose surgical operating rooms needed in a health planning district, exclusive of procedure rooms, dedicated cesarean section rooms, operating rooms designated exclusively for cardiac surgery, procedure rooms or VDH-designated trauma services, shall be determined as follows:

$$\text{FOR} = \frac{((\text{ORV/POP}) \times (\text{PROPOP})) \times \text{AHORV}}{1600}$$

Where:

ORV = the sum of total inpatient and outpatient general purpose operating room visits in the health planning district in the most recent five years for which general purpose operating room utilization data has been reported by VHI; and

POP = the sum of total population in the health planning district as reported by a demographic entity as determined by the commissioner, for the same five-year period as used in determining ORV.

PROPOP = the projected population of the health planning district five years from the current year as reported by a demographic program as determined by the commissioner.

AHORV = the average hours per general purpose operating room visit in the health planning district for the most recent year for which average hours per general purpose operating room visits have been calculated as reported by VHI.

FOR = future general purpose operating rooms needed in the health planning district five years from the current year.

1600 = available service hours per operating room per year based on 80% utilization of an operating room available 40 hours per week, 50 weeks per year.

The preceding formula can be used to affirm whether there is currently an excess of GPORs in PD 8. The preceding formula can also determine the overall need for operating rooms within PD 8 five years from the current year, i.e., in the year 2024. The current GPOR inventory for PD 8 is shown broken down by facility, category, and utilization rate above in **Table 1**.

Based on operating room utilization data submitted to and compiled by VHI, for the five year period of 2013-2017, which is the most recent five-year period for which relevant data is available, the total number of reported inpatient and outpatient operating room visits is shown in **Table 10**.

Table 10. Inpatient & Outpatient GPOR Visits in PD 8: 2013-2017

Year	Total Inpatient & Outpatient Operating Room Visits
2013	137,891
2014	140,150
2015	140,405
2016	143,589
2017	150,828
TOTAL	712,863
Average	142,573

Source: 2013-2017 VHI Data, HSAHV, DCOPN Staff Analysis Report for COPN Request Nos. VA-8428 & 8435

Based on actual population counts derived as a result of the 2010 U.S. census, and population projections as compiled by Weldon Cooper, **Table 11** presents the U.S. Census' baseline population estimates for PD 8 for the five years 2013-2017 as follows:

Table 11. PD 8 Population: 2013-2017 and 2024

Year	Population
2013	2,353,237
2014	2,394,109
2015	2,434,980
2016	2,475,851
2017	2,516,723
TOTAL	12,174,900
2024	2,796,416

Source: Weldon Cooper, DCOPN Staff Analysis Report for COPN Request Nos. VA-8428 & 8435

Note: Straight Line Extrapolation

Based on the above population estimates from the 2010 U.S. Census, and using a straight-line, average annual increase of 40,871 from 2010 to 2020 and 39,269 from 2020 to 2030, the cumulative total population of PD 8 for the same historical five-year period as referenced above, i.e., 2013-2017, was 12,174,900, while the population of PD 8 in the year 2024 (PROPOP – five years from the current year) is projected to be 2,796,416. These figures are necessary for the application of the preceding formula as follows:

ORV	÷	POP	=	CSUR
Total PD 8 GPOR Visits 2013 to 2017		PD 8 Historical Population 2013 to 2017:		Calculated GPOR Use Rate 2013 to 2017:
712,863		12,174,900		0.05855

CSUR	X	PROPOP	=	PORV
Calculated GPOR Use Rate 2013 to 2017		PD 8 Projected Population 2024		Projected GPOR Visits 2024:
0.05855		2,796,416		163,735

AHORV is the average hours per operating room visit in the planning district for the most recent year for which average hours per operating room visit has been calculated from information collected by the Virginia Department of Health.

AHORV = 269,335 total inpatient and outpatient operating room hours (Table 1) reported to VHI for 2017, divided by 150,828 total inpatient and outpatient operating room visits reported to VHI for that same year (Table 10);

$$\text{AHORV} = 1.7857$$

$$\text{FOR} = \frac{((\text{ORV}/\text{POP}) \times (\text{PROPOP})) \times \text{AHORV}}{1600}$$

$$\text{FOR} = \frac{0.05855 \times 2,796,416 \times 1.7857}{1600}$$

$$\text{FOR} = 292382 \div 1,600$$

FOR = 182.7 (183) General Purpose Operating Rooms Needed in PD 8 in 2024

Current PD 8 GPOR inventory: 188

Net Surplus: 5 GPORs for 2024 planning year

Using the above methodologies, the conclusion would be logically reached that there will not be a need to increase the number of general purpose operating rooms in PD 8, as the current inventory of 188 GPORs exceeds this amount.

COPN Request No. VA-8462: Virginia Hospital Center Edison, LLC (VHCE)

While the applicant proposes to establish a new service, i.e., a new facility, DCOPN notes that the four requested GPORs, if approved, would be transferred from the existing VHC complement. Accordingly, the proposed project would have a neutral impact on the existing PD 8 inventory and would not add to the existing surplus.

COPN Request No. VA-8465: Franconia-Springfield Surgery Center, LLC (FSSC)

The applicant does not propose to establish a new service, but rather, proposes to increase its current GPOR complement by one, through the relocation of one GPOR from Inova's Lorton facility. Accordingly, DCOPN concludes that this provision is not applicable to the proposed project. However, DCOPN notes that the project would ultimately have a neutral impact on the existing PD 8 inventory and would not add to the existing PD 8 surplus.

COPN Request No. VA-8467: Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc. (KFHP)

The applicant's proposal to establish an OSH with four GPORs would add to the existing surplus in PD 8. However, as already discussed, DCOPN contends that the proposed project warrants approval despite this surplus. First, DCOPN notes that the 179 PD 8 GPORs in operation in 2017 operated at a collective utilization of 94%. Even with the recent additions to the PD 8 inventory, DCOPN concludes that the collective PD 8 inventory operates at relatively high utilization. Because the total population of PD 8 is expected to continue to increase at a faster rate than the rest of Virginia as a whole, and because the existing PD 8 inventory currently operates at a high utilization rate, DCOPN contends that adding four GPORs to the small existing surplus will not necessarily be problematic. Additionally, DCOPN contends that transferring the requested GPORs from the Kaiser Permanente Tysons Corner Surgery Center is impractical. The transfer of only one GPOR from the Tysons Corner location would result in a collective utilization of 96.7% among the six remaining GPORs, thereby creating an immediate institutional need at that facility. Accordingly, DCOPN contends that a reasonable, more efficient alternative to the proposed project does not exist.

- B. Projects involving the relocation of existing operating rooms within a health planning district may be authorized when it can be reasonably documented that such relocation will: (i) improve the distribution of surgical services within a health planning district; (ii) result in the provision of the same surgical services at a lower cost to surgical patients in the health planning district; or (iii) optimize the number of operations in the health planning district that are performed on an outpatient basis.**

COPN Request No. VA-8462: Virginia Hospital Center Edison, LLC (VHCE)

The applicant proposes to establish a new service, i.e., a new facility. However, DCOPN notes that the applicant intends to do so by relocating four GPORs from VHC to the proposed new VHCASC. As previously discussed, in 2017, the 18 VHC GPORs operated at a collective utilization rate of only 82.2% (Table 1). Given the considerably low utilization, the proposed project would beneficially redistribute underutilized GPOR capacity, increase access to outpatient surgical services, and allow for improved cost and scheduling efficiency. Moreover, it is reasonable to assume that, as an outpatient surgical hospital, the proposed VHCASC would function as a lower-cost alternative to traditional hospital-based surgical providers.

COPN Request No. VA-8465: Franconia-Springfield Surgery Center, LLC (FSSC)

The applicant intends to relocate one GPOR from Inova Ambulatory Surgery Center at Lorton to FSSC. As previously discussed, the four existing GPORs at FSSC operated at a collective utilization of 94.3% in 2017, while the two existing GPORs at the Lorton facility operated at a collective utilization of 85.9% for the same period (Tables 1 and 6). As discussed, DCOPN has calculated that approval of the project, as proposed, would likely result in the immediate overutilization of the one

GPOR that would remain at the Lorton facility. However, DCOPN contends that the transfer of the requested GPOR from any of Inova's PD 8 facilities would likely have the same result. The applicant has stated that it expects roughly 75% of the Lorton facilities surgical volume (approximately 1,261 cases in Year 1) to transfer to FSSC; however, DCOPN cannot confirm whether the applicant's expectation will materialize. Regardless, due to the high utilization of all of Inova's PD 8 GPORs, DCOPN concludes that transferring the requested GPOR from a different facility is not necessarily a more efficient alternative to the proposed project.

COPN Request No. VA-8467: Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc. (KFHP)

The applicant proposes to establish a new service, i.e, a new facility. Accordingly, DCOPN contends that this provision is not applicable to the proposed project.

12VAC5-230-510. Staffing.

Surgical services should be under the direction or supervision of one or more qualified physicians.

All of the applicants have provided assurances that all surgical services will be under the direction and supervision of qualified physicians.

The SMFP also contains criteria and standards for when competing applications are received. They are as follows:

**Part I
Definitions and General Information**

12VAC5-230-60. When Competing Applications Received.

In reviewing competing applications, preference may be given to an applicant who:

- 1. Has an established performance record in completing projects on time and within the authorized operating expenses and capital costs;**
- 2. Has both lower capital costs and operating expenses than his competitors and can demonstrate that his estimates are credible;**
- 3. Can demonstrate a consistent compliance with state licensure and federal certification regulations and a consistent history of few documented complaints, where applicable;**
or
- 4. Can demonstrate a commitment to serving his community or service area as evidenced by unreimbursed services to the indigent and providing needed but unprofitable services, taking into account the demands of the particular service area.**

COPN Request No. VA-8462: Virginia Hospital Center Edison, LLC (VHCE)

VHCE's parent company, VHC has a well-established history of completing projects within the authorized capital costs. However, with regard to completing projects on time, roughly half of authorized and completed VHC projects became operational after the expected project completion date. With respect to the proposed project, the capital and financing costs (\$15,388,076) are less than the KFHP application, but substantially more than the FSSC application. Regarding socioeconomic factors relevant to the proposed application, DCOPN notes that the pro forma income statement

provided by the applicant proffered charity care in the amount of 3%, an amount consistent with a system-wide charity care condition previously in place for VHC. However, for reasons already discussed, DCOPN concludes that the system-wide condition no longer applies and accordingly, DCOPN recommends a charity care condition consistent with the HPR II average of 4.3%. DCOPN notes that the recommended charity care percentage is consistent with the 4.3% proffered by KFHP and slightly higher than the 4.1% condition that would apply to FSSC.

COPN Request No. VA-8465: Franconia-Springfield Surgery Center, LLC (FSSC)

FSSC is a small facility, and accordingly, has not completed many projects. However, FSSC's parent company, Inova Health System, has a well-established history of completing projects within the authorized capital costs. However, this applicant has not consistently completed projects on time. With respect to the proposed project, the capital costs (\$59,388,076) are substantially less than both VHCE and KFHP, however DCOPN notes that the scope of the proposed project is considerably smaller than the VHCE and KFHP projects. Regarding socioeconomic factors relevant to the proposed application, DCOPN notes that should the proposed project be approved, it would be subject to the 4.1% system-wide charity care condition currently in place for the Inova Health System (most recently cited in COPN No. VA-04381 issued on June 28, 2018). DCOPN notes that this charity care percentage is lower than the 4.3% proffered by KFHP as well as the 4.3% DCOPN has recommended for VHC.

COPN Request No. VA-8467: Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc. (KFHP)

KFHP has a well-established history of completing projects within the authorized capital costs. However, this applicant has not consistently completed projects on time. With respect to the proposed project, the capital costs (\$28,261,845) are substantially greater than the two competing projects. However, DCOPN notes that the scope of the proposed project is considerably larger than the VHCE and FSSC projects. Regarding socioeconomic factors relevant to the proposed applicant, the Pro Forma income statement provided by the applicant proffered to provide charity care in the amount of 4.3% based on patient care expenses. DCOPN notes that this amount is consistent with the charity care condition recommended for VHC, and slightly higher than the 4.1% that would apply to FSSC.

Conclusion

DCOPN does not believe that any of the applicants individually deserve preference regarding completing projects on time and within the approved capital budget. However, on the whole, DCOPN contends that the VHCE and FSSC projects deserve favorable preference, as the proposed projects are inventory-neutral, and consequently would not add to the existing surplus of GPORs in PD 8.

The SMFP also contains criteria and standards for when institutional expansion is needed. They are as follows:

Part I
Definitions and General Information

12VAC5-230-80. When Institutional Expansion is Needed.

- A. Notwithstanding any other provisions of this chapter, the commissioner may grant approval for the expansion of services at an existing medical care facility in a health planning district with an excess supply of such services when the proposed expansion can be justified on the basis of a facility's need having exceeded its current service capacity to provide such service or on the geographic remoteness of the facility.**
- B. If a facility with an institutional need to expand is part of a health system, the underutilized services at other facilities within the health system should be reallocated, when appropriate, to the facility with the institutional need to expand before additional services are approved for the applicant. However, underutilized services located at a health system's geographically remote facility may be disregarded when determining institutional need for the proposed project.**
- C. This section is not applicable to nursing facilities pursuant to § 32.1-102.3:1 of the Code of Virginia.**
- D. Applicants shall not use this section to justify a need to establish new services.**

COPN Request No. VA-8462: Virginia Hospital Center Edison, LLC (VHCE)

The applicant proposes to establish a new service, i.e., a new facility. Accordingly, pursuant to subsection D, this provision is not applicable to the proposed project. However, DCOPN notes that the proposed project would have a neutral impact on the existing PD 8 inventory. DCOPN further notes that as previously discussed, approval of the proposed project would beneficially redistribute underutilized GPOR capacity, increase access to outpatient surgical services, and allow VHC to improve cost and scheduling efficiencies. Moreover, it is reasonable to assume that, as an outpatient surgical hospital, the proposed project would function as a lower-cost alternative to traditional hospital-based surgical providers.

COPN Request No. VA-8465: Franconia-Springfield Surgery Center, LLC (FSSC)

FSSC proposes to add one GPOR, resulting in a total complement of 5 GPORs. With a utilization rate of 94.3% in 2017, the most recently available data confirms that FSSC's current capacity demonstrates an institutional need for expansion. Consequently, it can be inferred that approval of additional GPOR capacity at FSSC can be justified on the bases of the facility's need having exceeded its current service capacity. As already discussed, DCOPN further concludes that due to the high utilization of each PD 8 Inova facility, transferring the requested GPOR from another Inova facility is not necessarily a reasonable alternative to the proposed project. DCOPN additionally contends that converting a special procedure room to a licensed GPOR is a cost-effective way to add needed capacity without incurring substantial capital expense.

COPN Request No. VA-8467: Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc. (KFHP)

The applicant proposes to establish a new service, i.e., a new facility. Accordingly, pursuant to subsection D, this provision is not applicable to the proposed project. However, as already discussed in this staff analysis report, DCOPN contends that although the proposed project would add to the existing PD 8 surplus, the project warrants approval. To briefly reiterate, because the total population of PD 8 is expected to continue to increase at a faster rate than the rest of Virginia as a whole, and because the existing PD 8 inventory currently operates at a high utilization rate, DCOPN contends that adding four GPORs to the small existing surplus will not necessarily be problematic. Additionally, DCOPN contends that transferring the requested GPORs from the Kaiser Permanente Tysons Corner Surgery Center is impractical as doing so would result in an immediate institutional need for additional capacity at that facility.

Required Considerations Continued

- 4. The extent to which the proposed service or facility fosters institutional competition that benefits the area to be served while improving access to essential health care services for all persons in the area to be served;**

COPN Request No. VA-8462: Virginia Hospital Center Edison, LLC (VHCE)

As previously discussed, the current inventory of PD 8 GPORs is sufficient and adequately distributed geographically. However, as shown in Table 1, the vast majority of current operating rooms in PD 8 are located within an inpatient setting. As a proposed new outpatient surgical facility, the project would provide residents of PD 8 with an alternative means of receiving orthopedic surgical services, thereby fostering institutional competition in a way that would benefit the area to be served while improving access to essential health care services for residents of PD 8. DCOPN concludes that due to the specialized nature of the proposed new OSH, is not likely to have a substantial negative impact on the utilization of existing providers.

COPN Request No. VA-8465: Franconia-Springfield Surgery Center, LLC (FSSC)

With a 2017 utilization rate of 94.3%, DCOPN concludes that FSSC has adequately demonstrated an institutional need to expand its existing GPOR complement by one. Additionally, as already discussed, DCOPN contends that a reasonable, more efficient alternative to the proposed project does not exist. Because the applicant intends to use the additional GPOR to serve the existing patient pool of FSSC, DCOPN concludes that the proposed project would not foster institutional competition that benefits the area to be served while improving access to services.

COPN Request No. VA-8467: Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc. (KFHP)

As previously discussed, the current inventory of PD 8 GPORs is sufficient and adequately distributed geographically. However, as shown in Table 1, the vast majority of current operating rooms in PD 8 are located within an inpatient setting. As a proposed new outpatient surgical facility, the project would provide PD 8 residents enrolled in a Kaiser health plan with an alternative means of receiving surgical services. However, because the proposed facility will serve only those residents enrolled in a Kaiser health plan, DCOPN contends that the proposed project is not intended to foster institutional competition that benefits the area to be served.

5. The relationship of the project to the existing health care system of the area to be served, including the utilization and efficiency of existing services or facilities;

COPN Request No. VA-8462: Virginia Hospital Center Edison, LLC (VHCE)

As already discussed, DCOPN has calculated a net surplus of 5 GPORs in PD 8 for the 2024 planning year. The proposed project, if approved, would have a neutral impact on the existing PD 8 inventory.

The applicant is affiliated with VHC, a facility that currently provides surgical services. A review of the surgical utilization at VHC reveals that there is currently underutilized GPOR capacity. As previously discussed, DCOPN contends that approval of the proposed project would result in improved utilization of the existing GPORs at VHC. By adjusting the number of VHC GPORs to 14 (to account for the transfer of four GPORs to the proposed new facility), while maintaining the same number of total OR hours reported to VHI for 2017, DCOPN calculated an adjusted utilization rate of 105%. However, as the majority of orthopedic cases currently performed at VHC would be transferred to the proposed new VHCASC upon completion of the proposed project, DCOPN contends that reducing the VHC complement to 14 GPORs would not result in an immediate institutional need for additional GPOR inventory. Additionally, as already discussed, due to the specific nature of the proposed new facility, DCOPN contends that the proposed project is not likely to have a substantial negative impact on the utilization of existing area providers of surgical services.

The applicant stated that currently, there are no formal agreements or affiliations to share personnel, facilities, services, or equipment with other area providers.

COPN Request No. VA-8465: Franconia-Springfield Surgery Center, LLC (FSSC)

As already discussed, the proposed project, if approved, would have a neutral impact on the existing PD 8 inventory. The four existing GPORs at FSSC operated at a collective utilization of 94.3% in 2017. DCOPN concludes that FSSC's current capacity demonstrates an institutional need for expansion, and that approval of the additional GPOR can be justified on the bases of the facility's need having exceeded its current service capacity.

The applicant is part of the Inova Health Care Services System, which has eight facilities providing surgical services in PD 8 (Table 6). A review of the surgical utilization at each of these facilities reveals that all but two facilities (Inova Mount Vernon Hospital and Inova Ambulatory Surgery Center at Lorton) are operating at near-maximum capacity. Data further demonstrates that though not currently at maximum operating capacity, the transfer of the requested GPOR from either the Lorton facility or Inova Mount Vernon Hospital would likely result in the overutilization of remaining GPORs at each respective facility. Accordingly, DCOPN concludes that, due to the high utilization of each PD 8 Inova facility, transferring the requested GPOR from a different Inova facility is not necessarily a better, more efficient alternative to the proposed project. DCOPN additionally notes the applicants' expectation that surgical volume will shift from from the Lorton facility to FSSC following completion of the proposed project.

FSSC has transfer agreements with Inova Alexandria Hospital and Inova Mount Vernon Hospital.

COPN Request No. VA-8467: Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc. (KFHP)

As already discussed, DCOPN calculated a net surplus of five GPORs for the 2024 planning year in PD 8. The proposed project, if approved, will add four GPORs to the existing surplus. However, as already discussed, DCOPN contends that the proposed project warrants approval despite the calculated surplus. To briefly reiterate, because the total population of PD 8 is expected to continue to increase at a faster rate than the rest of Virginia as a whole, and because the existing PD 8 inventory currently operates at a high utilization rate, DCOPN contends that adding four GPORs to the small existing surplus will not necessarily be problematic. Additionally, DCOPN contends that transferring the requested GPORs from the Kaiser Permanente Tysons Corner Surgery Center is impractical. The transfer of only one GPOR from the Tysons Corner location would result in a collective utilization of 96.7% among the six remaining GPORs, thereby creating an immediate institutional need at that facility.

In its Northern Virginia service area, Kaiser currently has operating agreements with its three partner hospitals: Virginia Hospital Center, Reston Hospital Center, and Stafford Hospital Center.

6. The feasibility of the project, including the financial benefits of the project to the applicant, the cost of construction, the availability of financial and human resources, and the cost of capital;

COPN Request No. VA-8462: Virginia Hospital Center Edison, LLC (VHCE)

As demonstrated by Table 2, the total capital and financing cost of the proposed project is estimated to be \$15,388,176. The costs will be funded through a combination of accumulated reserves and conventional commercial loans. The costs for the project are considerable, but consistent with previously approved projects to establish an OSH. The proposed project would be beneficial, as it would increase access to outpatient surgical services, provide a lower-cost alternative for patients typically treated in a hospital setting, provide increased cost and scheduling efficiencies for VHC, and aide in the redistribution of existing underutilized GPOR inventory.

The Pro Forma Income Statement (Table 7) provided by the applicant demonstrates that the proposed project is financially feasible in the immediate and the long-term. It projects a net income of \$2,225,018 in the first year of operation and \$3,011,566 by the end of year two.

The applicant anticipates the need to hire 23.9 full-time employees (FTEs) to staff the proposed project. The applicant states that it expects “a number” of its employees to move from the hospital to the new facility given the relocation of the four GPORs. Additional personnel will be recruited through customary channels, including the internet and print advertising, and the many schools with which VHC enjoys an educational affiliation. VHC is an established provider of surgical services and has a well-developed and effective employee recruitment and retention program. DCOPN contends that the applicant will not have difficulty securing the needed personnel or that doing so will have a significantly negative impact on existing providers of surgical services.

COPN Request No. VA-8465: Franconia-Springfield Surgery Center, LLC (FSSC)

As demonstrated by Table 3, the total capital cost of the proposed project is estimated to be \$59,200, the entirety of which will be funded using the accumulated reserves of the applicant. As already

discussed, the cost of the proposed project is reasonable when compared to previously approved, similar projects in PD 8. The project would be beneficial given that the current complement of GPORs at FSSC is heavily utilized. The addition of one GPOR would alleviate concerns regarding operating room availability and ensure that surgical services are consistently available to patients at FSSC. DCOPN again notes that due to the high utilization of existing GPORs at all of Inova's PD 8 facilities, DCOPN contends that a more efficient alternative to the proposed project does not necessarily exist.

The Pro Forma Income Statement (**Table 8**) provided by the applicant demonstrates that the proposed project is financially feasible in the immediate and the long-term. It projects a net income of \$3,717,901 in the first year of operation and \$3,799,606 by the end of year two.

The applicant states that the personnel required to staff the proposed additional GPOR will transfer from the Inova Surgery Center at Lorton. No additional staffing requirements are anticipated. DCOPN contends that staffing the proposed project will not have a significantly negative impact on existing providers of surgical services in PD 8.

COPN Request No. VA-8467: Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc. (KFHP)

As demonstrated by **Table 4**, the total capital cost of the proposed project is estimated to be \$28,261,845, the entirety of which will be funded using the accumulated reserves of the applicant. Although considerable, DCOPN concludes that the costs are reasonable when compared to similar projects in PD 8. DCOPN additionally concludes that the proposed project would be beneficial, despite contributing four additional GPORs to the existing calculated surplus of five. As already discussed, the existing PD 8 inventory currently operates at a high utilization rate, the PD 8 population is expected to continue to increase at a rate faster than the rest of the Commonwealth as a whole, and transferring even one GPOR from Kaiser's existing PD 8 facility would create an immediate institutional need for additional capacity.

Because this project represents an integrated health insurance and health service delivery care plan provided for a specific set of enrollees in Northern Virginia, only the expenses of operating the surgery center were provided by the applicant, i.e., the applicant collects "insurance premiums" that cover a comprehensive array of services, from primary care to the most complex of clinical conditions. As shown by **Table 9**, only the expenses for treatment of Kaiser surgery patients was included in the pro forma. Based on the applicant's projections, operation of the proposed GPORs would generate 2,798 cases in the first year of operation, increasing to 2,975 cases in the second year of operation. The pro forma provided by the applicant indicates that cost per surgical case would increase by approximately 2% in the end of the second year of operation. However, DCOPN notes that cost per case should theoretically decrease as case load grows and fixed costs are distributed over a greater number of cases.

The applicant anticipates the need to hire a total of 166.9 FTEs (including management staff) to staff the proposed project. With regard to staffing, the applicant provided the following, in part:

"Nationally, Kaiser has over 217,000 employees—8,500 of whom are employed in the Mid-Atlantic Region (D.C., Maryland, and Virginia). Kaiser uses its national and

regional employee network to recruit staff. In 2018, over 50 percent of staff openings in its NOVA market were filled by existing staff within the Kaiser organization. Forty-six percent of NOVA clinical and support staff openings were recruited from local and national sources external to Kaiser...

Per Exhibit III.H of the COPN application, Kaiser anticipates staffing the proposed surgery center with 166.9 FTE clinical and support staff including 7.0 FTE managers. Slightly less than 80 percent of the proposed staff complement will be clinical personnel...

...As indicated above, the focus of recruitment efforts historically has been internal or national in scope and has occurred over a period of time as the facility's operations "ramp up" during the first two years. For these reasons, Kaiser does not anticipate any impact on local providers."

DCOPN notes that even if 50% of the needed staff are recruited from the existing Kaiser employee pool, 83.5 FTEs is a relatively large number of FTEs to obtain. Accordingly, DCOPN has concern that staffing the proposed project could have a negative impact on the staffing of existing area providers of surgical services. However, DCOPN also notes that no party, including the either of the competing applicants, has opposed the proposed project.

- 7. The extent to which the project provides improvements or innovations in the financing and delivery of health services, as demonstrated by: (i) The introduction of new technology that promotes quality, cost effectiveness, or both in the delivery of health care services; (ii) The potential for provision of services on an outpatient basis; (iii) Any cooperative efforts to meet regional health care needs; and (iv) At the discretion of the Commissioner, any other factors as may be appropriate.**

COPN Request No.VA-8462: Virginia Hospital Center Edison, LLC (VHCE)

The proposed project does not offer the introduction of new technology that promotes quality, cost effectiveness, or both in the delivery of health care services. However, the proposed project does increase the potential for provision of services on an outpatient basis. As demonstrated in **Table 1**, the vast majority of surgical services in PD 8 are provided in an inpatient setting. Moreover, it is reasonable to assume that, as an outpatient surgical hospital, the proposed project would function as a lower-cost alternative to traditional hospital-based surgical providers. DCOPN did not identify any other factors that have not been discussed elsewhere in this staff analysis report to bring to the attention of the Commissioner.

COPN Request No.VA-8465: Franconia-Springfield Surgery Center, LLC (FSSC)

The proposed project would not provide improvements or innovations in the financing and delivery of health services, as demonstrated by the introduction of new technology that promotes quality, cost effectiveness, or both in the delivery of health care services. DCOPN did not identify any other factors that have not been discussed elsewhere in this staff analysis report to bring to the attention of the Commissioner.

COPN Request No. VA-8467: Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc. (KFHP)

The proposed project does not offer the introduction of new technology that promotes quality, cost effectiveness, or both in the delivery of health care services. However, the proposed project does increase the provision of services on an outpatient basis. As demonstrated by Table 1, the vast majority of surgical services in PD 8 are provided in an inpatient setting. Moreover, it is reasonable to assume that, as an outpatient surgical hospital, the proposed project would function as a lower-cost alternative to the traditional hospital-based surgical providers. DCOPN did not identify any other factors that have not been discussed elsewhere in this staff analysis report to bring to the attention of the Commissioner.

8. In the case of a project proposed by or affecting a teaching hospital associated with a public institution of higher education or a medical school in the area to be served: (i) The unique research, training, and clinical mission of the teaching hospital or medical school; and (ii) Any contribution the teaching hospital or medical school may provide in the delivery, innovation, and improvement of health care for citizens of the Commonwealth, including indigent or underserved populations.

COPN Request No. VA-8462: Virginia Hospital Center Edison, LLC (VHCE)

VHC has a number of affiliations with clinical training programs and educational facilities in Virginia and the District of Columbia including: Marymount University; Northern Virginia Community College; George Mason University; Georgetown University; George Washington University; James Madison University; Catholic University; Shenandoah University; Stratford University; and Chamberlain University.

In addition to the affiliations with the schools listed above, the applicant provided the following:

"VHC participates in the following initiatives:

- An affiliation with Virginia Commonwealth University for nurse anesthesia students. Last year, VHC took 12 students and will exceed that this year.*
- The affiliations include consistent clinical and senior/capstone placements for students.*
- VHC partners with Arlington County to train their EMT students in VHC's Emergency Department. Last year, VHC took 121 students.*
- Annually, VHC utilizes its Friends of Nursing Foundation funds to offer scholarships to nursing students internally and externally. In 2019, VHC awarded over \$70,000 in scholarships.*
- In 2019, VHC began a new partnership with National Institute of First Assists to support OR First Assists in the completion of their clinical hours.*
- VHC developed a new partnership for an Externship Program for scrub tech students, and took two in the spring and will be taking 6 in the fall semester.*
- For the third year in a row, VHC ran its Summer RN Externship program. This summer VHC had 12 nursing students who will enter their senior year in the fall. The program was started three years ago with funds from the Foundation Poyant Fund. This program supports VHC's pipeline of nurses, allows students the opportunity to improve skill acquisition, and allows them to explore more areas of nursing to improve their ability to make an informed decision upon graduation. Upon completion of the program, they are*

provided the opportunity to stay on as techs until graduation when VHC anticipates that they will become RNs at VHC.

- *In 2018, VHC had 186 clinical nursing students for a total of 2,232 hours (this does not include the senior practicum students).*

In addition to providing a new source of employment for graduates of these programs, the VHCASC will offer opportunities for students to train at an outpatient focused site. This training opportunity is particularly important given that many of the graduates will work in an outpatient environment given the historical and projected evolution of the care model."

COPN Request No. VA-8465: Franconia-Springfield Surgery Center, LLC (FSSC)

Not applicable. The applicant is not a teaching hospital associated with a public institution of higher education or a medical school in the area to be served.

COPN Request No. VA-8467: Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc. (KFHP)

Not applicable. The applicant is not a teaching hospital associated with a public institution of higher education or a medical school in the area to be served.

DCOPN Findings and Conclusions

COPN Request No. VA-8462: Virginia Hospital Center Edison, LLC (VHCE)

DCOPN finds that the proposed project to establish an outpatient surgical hospital with four general-purpose operating rooms through the relocation of GPORs from VHC is generally consistent with the applicable criteria and standards of the State Medical Facilities Plan and the eight Required Considerations of the Code of Virginia. The proposed project is inventory-neutral, and would thus not add to the existing surplus of GPORs in PD 8.

Furthermore, the proposed project is more advantageous than the status quo, as it would provide patients within the Virginia Hospital Center service area with a convenient, lower-cost alternative in the form of an outpatient surgical hospital. Additionally, approval of the proposed project would allow for the redistribution of underutilized capacity at VHC while simultaneously providing for improved cost and scheduling efficiencies. Because of the specialized nature of the proposed OSH, DCOPN concludes that approval of the proposed project is not likely to have a substantial negative impact on the utilization, cost, or staffing of existing area providers of surgical services, nor would approval of the proposed project result in an immediate institutional need for additional ORs at VHC. DCOPN again notes that there is no known opposition to the proposed project.

COPN Request No. VA-8465: Franconia-Springfield Surgery Center, LLC (FSSC)

DCOPN finds that the proposed project to expand surgical services at FSSC through the relocation of one GPOR from the Inova Ambulatory Surgery Center at Lorton is generally consistent with the applicable criteria and standards of the State Medical Facilities Plan and the eight Required Considerations of the Code of Virginia. The proposed project is inventory-neutral, and would thus not add to the existing surplus of GPORs in PD 8.

Furthermore, the proposed project is more advantageous than maintaining the status quo, as the applicant has adequately demonstrated an institutional need to expand capacity at FSSC. DCOPN contends that although the transfer could possibly result in the overutilization of the remaining GPOR at the Lorton facility, because all Inova facilities providing surgical services in PD 8 currently operate at near-maximum occupancy, transferring the requested GPOR from a different facility would likely have the same result. Accordingly, DCOPN contends that a more efficient alternative to the proposed project does not necessarily exist and notes the applicants' expectation that surgical volume will transfer from the Lorton facility to FSSC upon completion of the project. DCOPN also reiterates that the applicant's proposal to convert a special procedure room to a licensed GPOR is a cost-effective way to add needed capacity without incurring a substantial capital expense. DCOPN concludes that approval of the proposed project is not likely to have a substantial negative impact on the utilization, cost, or staffing of existing area providers of surgical services. DCOPN again notes that there is no known opposition to the proposed project.

COPN Request No. VA-8467: Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc. (KFHP)

DCOPN finds that the proposed project to establish an outpatient surgical hospital with four general-purpose operating rooms is generally consistent with the applicable criteria and standards of the State Medical Facilities Plan and the eight Required Considerations of the Code of Virginia. Although the proposed project would add four GPORs to the existing PD 8 inventory, DCOPN contends that the project warrants approval despite the calculated surplus of five GPORs. DCOPN contends that the current calculated surplus in PD 8 is relatively small, the total population of PD 8 is expected to continue to increase at a faster rate than the rest of the Commonwealth as a whole, and that the addition of four GPORs which would serve only Kaiser health plan members would not necessarily be problematic.

Furthermore, the proposed project is more advantageous than maintaining the status quo, as the existing PD 8 inventory of 179 GPORs currently operates at a high utilization rate. Additionally, transferring even one GPOR from Kaiser's existing PD 8 OSH would result in the immediate institutional need for additional capacity at that facility. Accordingly, DCOPN concludes that a reasonable, more efficient alternative to the proposed project does not exist. DCOPN maintains some concern that approval of the project may negatively affect the staffing needs of nearby facilities, however DCOPN again notes that there is no known opposition to the proposed project.

DCOPN Staff Recommendations

COPN Request No. VA-8462: Virginia Hospital Center Edison, LLC (VHCE)

The Division of Certificate of Public Need recommends the **conditional approval** of this project for the following reasons:

1. The project is generally consistent with the applicable criteria and standards of the State Medical Facilities Plan and the eight Required Considerations of the Code of Virginia.
2. The project is more favorable than the alternative of maintaining the status quo.

3. The Board of the Health Systems Agency of Northern Virginia recommended approval of the project.
4. There is no known opposition to the project.
5. Approval of the proposed project is not likely to have a substantial negative impact on the staffing, costs, or utilization of existing providers.
6. Approval of the proposed project will have a neutral impact on the exiting PD 8 inventory, and will facilitate the redistribution of underutilized GPOR inventory within PD 8.

DCOPN's recommendation is contingent upon Virginia Hospital Center Edison, LLC's agreement to the following charity care condition:

Virginia Hospital Center Edison, LLC will provide surgical services to all persons in need of this service, regardless of their ability to pay, and will provide as charity care to all indigent persons free services or rate reductions in services and facilitate the development and operation of primary care services to medically underserved persons in an aggregate amount equal to at least 4.3% of total gross patient service revenues derived from Virginia Hospital Center Ambulatory Surgery Center's surgical services as valued under the provider reimbursement methodology utilized by the Centers for Medicare and Medicaid Services for reimbursement under Title XVIII of the social Security Act, 42 U.S.C. § 1395 et seq. Compliance with this condition will be documented to the Division of Certificate of Public Need annually by providing audited or otherwise appropriately certified financial statements documenting compliance with the preceding requirement. Virginia Hospital Center Edison, LLC will accept a revised percentage based on the regional average after such time regional charity care data valued under the provider reimbursement methodology utilized by the Centers for Medicare and Medicaid Services for reimbursement under Title XVIII of the Social Security Act, 42 U.S.C. § 1395 et seq. is available from Virginia Health Information. The value of charity care provided to individuals pursuant to this condition shall be based on the provider reimbursement methodology utilized by the Centers for Medicare and Medicaid Services for reimbursement under Title XVIII of the Social Security Act, 42 U.S.C. § 1395 et seq.

COPN Request No. VA-8465: Franconia-Springfield Surgery Center, LLC (FSSC)

The Division of Certificate of Public Need recommends **conditional approval** of this project for the following reasons:

1. The project is generally consistent with the applicable criteria and standards of the State Medical Facilities Plan and the eight Required Considerations of the Code of Virginia.
2. A reasonable, less costly, more efficient alternative to the proposed project does not exist.
3. The Board of the Health Systems Agency of Northern Virginia recommended approval of the proposed project.

4. There is no known opposition to the project.
5. Approval of the proposed project is not likely to have a substantial negative impact on the staffing, costs, or utilization of existing providers.
6. The applicant has adequately demonstrated an institutional need to increase capacity at Franconia-Springfield Surgery Center, LLC.
7. Approval of the proposed project would have a neutral impact on the existing PD 8 inventory.

DCOPN's recommendation is contingent upon Franconia-Springfield Surgery Center, LLC's agreement to the following charity care condition:

Franconia-Springfield Surgery Center, LLC will provide surgical services at the Inova Franconia-Springfield Ambulatory Surgery Center to all persons in need of this service, regardless of their ability to pay, and will provide as charity care to all indigent persons free services or rate reductions in services and facilitate the development and operation of primary care services to medically underserved persons in an aggregate amount equal to at least 4.1% total patient services revenue derived from surgical services provided at the Inova Franconia-Springfield Ambulatory Surgery Center as valued under the provider reimbursement methodology utilized by the Centers for Medicare and Medicaid Services for reimbursement under Title XVIII of the Social Security Act, 42 U.S.C. § 1395 et seq. Compliance with this condition will be documented to the Division of Certificate of Public Need annually by providing audited or otherwise appropriately certified financial statements documenting compliance with the preceding requirement. In respect of this condition on Franconia-Springfield Surgery Center, LLC's provision of surgical services at the Inova Franconia-Springfield Ambulatory Surgery Center, Franconia-Springfield Surgery Center, LLC will accept a revised percentage based on the regional average after such time regional charity care data valued under the provider reimbursement methodology utilized by the Centers for Medicare and Medicaid Services for reimbursement under Title XVIII of the Social Security Act, 42 U.S.C. § 1395 et seq. is available from Virginia Health Information. To the extent Franconia-Springfield Surgery Center, LLC expects this charity care condition or any revised percentage to materially alter the value of Franconia-Springfield Surgery Center, LLC's charity care commitment as historically calculated pursuant to the Inova system-wide charity care condition, it may petition the Commissioner for a modification to this condition to resolve the expected discrepancy. The value of charity care provided to individuals pursuant to this condition shall be based on the provider reimbursement methodology utilized by the Centers for Medicare and Medicaid Services for reimbursement under Title XVIII of the Social Security Act, 42 U.S.C. § 1395 et seq.

COPN Request No. VA-8467: Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc. (KFHP)

The Division of Certificate of Public Need recommends **conditional approval** of this project for the following reasons:

1. The project is generally consistent with the applicable criteria and standards of the State Medical Facilities Plan and the eight Required Considerations of the Code of Virginia.
2. A reasonable, less costly, more efficient alternative to the proposed project does not exist.
3. The Board of the Health Systems Agency of Northern Virginia recommended approval of the proposed project.
4. There is no known opposition to the project.
5. Approval of the proposed project is not likely to have a substantial negative impact on the costs or utilization of existing providers.

DCOPN's recommendation is contingent upon Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc.'s agreement to the following charity care condition:

Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc. will provide surgical services to all persons in need of this service, regardless of their ability to pay, and will provide as charity care to all indigent persons free services or rate reductions in services and facilitate the development and operation of primary care services to medically underserved persons in an aggregate amount equal to at least 4.3% of total gross patient service revenues derived from Kaiser Permanente Woodbridge Surgery Center's surgical services as valued under the provider reimbursement methodology utilized by the Centers for Medicare and Medicaid Services for reimbursement under Title XVIII of the social Security Act, 42 U.S.C. § 1395 et seq. Compliance with this condition will be documented to the Division of Certificate of Public Need annually by providing audited or otherwise appropriately certified financial statements documenting compliance with the preceding requirement. Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc. will accept a revised percentage based on the regional average after such time regional charity care data valued under the provider reimbursement methodology utilized by the Centers for Medicare and Medicaid Services for reimbursement under Title XVIII of the Social Security Act, 42 U.S.C. § 1395 et seq. is available from Virginia Health Information. The value of charity care provided to individuals pursuant to this condition shall be based on the provider reimbursement methodology utilized by the Centers for Medicare and Medicaid Services for reimbursement under Title XVIII of the Social Security Act, 42 U.S.C. § 1395 et seq.

Health Systems Agency of Northern Virginia
3040 William Drive, Suite 200
Fairfax, Virginia 22031
Phone: 703-573-3100 Fax 703-573-3101
Email: hsanv@aol.com

October 16, 2019

RECEIVED
OCT 17 2019
VDH/OLC

Erik Bodin, Director, DCOPN
Office of Licensure and Certification
Virginia Department of Health
9960 Mayland Drive, Suite 401
Richmond, VA 23233-1463

Dear Mr. Bodin:

The Health Systems Agency of Northern Virginia (HSANV) Board of Directors reviewed at its October 14, 2019 meeting the certificate of public need (COPN) application filed by Kaiser Foundation Health Plan of the Mid-Atlantic States seeking authorization to establish an outpatient surgical hospital in Prince William County, Virginia (COPN Request # VA-8467). The Board voted eight in favor and none opposed, with two abstentions, to recommend approval of the application.

The Board bases the recommendation on its review of the application, on the HSANV staff report on the proposal, on the information and testimony presented at the October 7, 2019 public hearing and the October 14, 2019 Board of Directors meeting, and on several basic findings and conclusions, including:

1. Kaiser Foundation Health Plan membership has grown significantly over the last decade and is expected to continue to grow steadily.
2. Kaiser's Tysons Corners Surgery Center has high use and increasing demand. Recent surgery volumes result in average operating room use substantially above the Virginia State Medical Facilities Plan planning standard.
3. Though there is no indication of a general region wide need for additional surgery services or operating rooms, expansion of the Kaiser service appears to be necessary to permit the plan to meet demand and to function efficiently.
4. There is no indication that establishing an outpatient surgery center in eastern Prince William County to serve Kaiser health plan members would affect negatively other surgery services.
5. Kaiser is an experienced provider of surgery services and has acceptable charity care policies and practices.
6. The project is consistent with applicable requirements of the Virginia State Medical Facilities Plan, including the institutional need provision of the plan.

Erik Bodin
COPN Request VA-8467
October 16, 2019
Page 2

Enclosed are copies of the HSANV staff report on the application and minutes of the October 7, 2019 public hearing and the October 14, 2019 HSANV board meeting held on the proposal.

If we can provide additional information, please let me know.

Sincerely,

A handwritten signature in black ink, appearing to read "Dean Montgomery". The signature is fluid and cursive, with the first name "Dean" and last name "Montgomery" clearly distinguishable.

Dean Montgomery
Executive Director

cc: Kent Stevens, Berkeley Medical Group, Consultant, Kaiser Foundation Health Plan
Piero Mannino, Supervisor, DCOPN, VDH
Robert Pugh, Chairperson, HSANV

Health Systems Agency of Northern Virginia
3040 Williams Drive, Suite 200
Fairfax, Virginia 22031
Phone: 703-573-3100 Fax 703-573-3103
Email: hsanv@aol.com

September 30, 2019

RECEIVED

OCT 17 2019

VDH/OLC

TO: Board of Directors, HSANV
Project Review Committee, HSANV
Interested Parties

FROM: Dean Montgomery

SUBJECT: Certificate of Public Need Applications
Virginia Hospital Center Edison, Establish Outpatient Surgical Hospital
(COPN Request VA-8462)
Inova Franconia-Springfield Surgery Center, Add Operating Room
(COPN Request VA-8465)
Kaiser Foundation Health Plan of the Mid-Atlantic States, Establish Outpatient
Surgical Hospital (COPN Request VA-8467)

I. Background and Summary of the Proposals

A. Background

Three local providers of surgery services submitted certificate of public need (COPN) applications in the current review cycle. Two seek authorization to establish new surgery facilities and services. The other proposes to expand an existing service. All of the changes proposed would affect outpatient surgery services.

Virginia Hospital Center Edison (VHCE), a newly formed affiliate of Virginia Hospital Center (VHC), seeks COPN authorization to establish an outpatient surgical hospital with four operating rooms.¹ The four licensed operating rooms sought would be "transferred" from VHC's licensed operating room complement.

Inova Franconia-Springfield Ambulatory Surgery Center (Franconia-Springfield) proposes to add one licensed operating room to the four it now maintains in Springfield, VA (southeastern Fairfax County). The additional operating room proposed for Franconia-Springfield would be "transferred" from Inova Ambulatory Surgery Center at Lorton (IASCL).

Kaiser Foundation Health Plan of the Mid-Atlantic States (Kaiser) proposes to establish a new outpatient surgical hospital with four operating rooms in Woodbridge, VA (eastern Prince William County).

¹ Surgery centers are licensed as "outpatient surgical hospitals" in Virginia. These facilities usually are referred to generically as ambulatory surgery centers (ASCs). These terms are used interchangeably here.

Under Virginia law COPN applications filed in the same review cycle for the same or similar services are deemed competing proposals, requiring comparative review and evaluation. The discussion below examines the Virginia Hospital Center Edison, the Franconia-Springfield, and the Kaiser applications in the context of Northern Virginia surgery facility development and use, and assesses them relative to required planning considerations, principally those delineated in the Virginia State Medical Facilities Plan (SMFP).

B. Proposal Summaries

Virginia Hospital Center Edison (COPN Request VA-8462)

Virginia Hospital Center (VHC) is a full service community hospital located in Arlington County, VA (Map 1). It is the second largest acute care hospital in the planning region (PD 8). The hospital plans to establish, through Virginia Hospital Center Edison, a newly created affiliate limited liability corporation, an off campus outpatient surgical hospital (ambulatory surgery center) with four operating rooms. The surgery center would be a new corporate entity, a separate medical care facility. Virginia Hospital Center has 18 licensed operating rooms. The license for four of those operating rooms would be transferred from VHC to Virginia Hospital Center Edison (VHCE).

Projected capital costs are \$15,338,076, approximately \$2.6 million of which would be for direct construction expense, about \$3.8 million for equipment, about \$5.8 million for site acquisition and development. The remainder, about \$3.1 million, would be for financing expenses and fees (architectural, legal, consultants, taxes). More than half (\$8.9 million, about 58%) of the capital outlay would be paid from VHC reserves. The rest would be financed (\$6.5 million). The surgery center that would be developed is to be syndicated, with a number of orthopedic surgeons holding minority interest in the facility.

Table 1 contains 2017 surgery service capacity and use data for Virginia Hospital Center and other Northern Virginia surgery services.

Virginia Hospital Center Edison justifies the proposal on the grounds that:

- Establishing a freestanding surgery center in Arlington would improve access for some, principally for those requiring orthopedic surgery.
- An outpatient surgery center with an orthopedic focus would permit more efficient service to VHC's growing cadre of orthopedic surgeons and their patients.
- As a capacity relocation project, the new service would not increase the number of licensed operating rooms in the region. Likewise, it should not affect negatively demand at or service volumes of other surgery services.
- In serving some patients who would otherwise be likely to use Virginia Hospital Center and other hospital-based outpatient surgery services, the project is likely to result in lower charges for some patients.
- The project would be one of the initial steps in updating and otherwise modernizing surgery space and capacity on the VHC campus.

Virginia Hospital Center-Edison, Establish Outpatient Surgical Hospital (COPN Request VA-8462)
Franconia-Springfield Surgery Center, Add Operating Room (COPN Request VA-8465)
Kaiser Foundation Health Plan, Establish Outpatient Surgical Hospital (COPN Request VA-8467)
September 2019

- The project is generally consistent with the applicable provisions of the Virginia State Medical Facilities Plan (SMFP).

Virginia Hospital Center Edison is expected to open in early 2021.

Franconia-Springfield Surgery Center (COPN Request VA-8465)

Franconia-Springfield Surgery Center seeks COPN authorization to expand its surgery service by adding one operating room. The surgery center now has four licensed operating rooms. The operating room that would be added would be “transferred” from a sister Inova Health System facility, Inova Ambulatory Surgery Center at Lorton.

The project entails the conversion of an existing unlicensed Franconia-Springfield procedure room to a licensed operating room. This does not require new construction or renovation. The procedure room is of sufficient size, design and construction to meet Virginia hospital operating room licensing requirements. Capital cost as estimated to be about \$59,000. All costs would be paid from reserves. Table 1 shows recent (2017) Franconia-Springfield (recipient facility) and Inova Lorton (donor facility) surgery capacity and service volumes.

Franconia-Springfield Surgery Center justifies the proposal on the grounds that:

- Surgery demand at Franconia-Springfield is high and increasing. Additional capacity is needed to accommodate current service volumes and projected caseload increases.
- Franconia-Springfield and Inova Lorton are freestanding syndicated surgery centers. Inova Health System owns a majority interest in both. Shifting surgeon investment patterns are expected to result in the movement of a number of member surgeons and the patients they treat from Inova Lorton to Franconia-Springfield.
- Projected capital and operating costs are minimal.
- The project would make efficient use of existing surgery capacity and would not increase unnecessarily the number of operating rooms in the planning region.
- The project would have minimal health system effects and would not affect any competing service provider negatively.
- The project is consistent with applicable provisions of the Virginia State Medical Facilities Plan (SMFP).

If authorized, the additional operating room can be made available as soon as needed.

Virginia Hospital Center-Edison, Establish Outpatient Surgical Hospital (COPN Request VA-8462)
 Franconia-Springfield Surgery Center, Add Operating Room (COPN Request VA-8465)
 Kaiser Foundation Health Plan, Establish Outpatient Surgical Hospital (COPN Request VA-8467)
 September 2019

Table 1
Northern Virginia Surgery Services Capacity and Use
General Purpose Operating Rooms, 2017

Hospitals	General Operating Rooms ¹	Inpatient Cases	Outpatient Cases	Total Cases	Surgery Hours	Prep & Clean Hours	Total Hours	Time per Case (Hours)
Inova Alexandria Hospital	10	2,565	5,847	8,412	8,994	8,190	17,184	2.04
Inova Fair Oaks Hospital	12	3,891	8,088	11,979	13,779	5,825	19,604	1.64
Inova Fairfax Hospital	39	10,117	22,191	32,308	45,846	38,194	80,399	2.49
Inova Loudoun Hospital	8	1,299	4,438	5,737	7,121	5,271	12,392	2.16
Inova Mount Vernon Hospital	7	2,879	1,075	3,954	5,214	4,052	9,266	2.34
Novant Health Prince William MC	4	595	953	1,548	2,734	862	3,596	2.32
Novant Haymarket Medical Center ²	4	289	442	731	1,162	366.0	1,528	2.09
Reston Hospital Center	13	3,835	4,618	8,453	12,052	8,691	20,743	2.45
Sentara Northern Virginia MC	9	2,193	3,763	5,956	5,578	6,077	11,655	1.96
StoneSprings Hospital Center ³	7	171	1,039	1,210	1,650	679	2,329	1.92
Virginia Hospital Center	18	4,348	8,196	12,544	16,044	7,635	23,679	1.89
Total Hospitals	131	32,182	60,650	92,832	120,174	85,842	202,375	2.18
Surgery Centers								
Fairfax Surgical Center	6		9,611	9,611	6,702	5,286	11,988	1.25
Inova Loudoun ASC	5		4,864	4,864	7,004	2,026	9,030	1.86
Inova ASC Franconia-Springfield	4		4,642	4,642	4,078	1,954	6,032	1.30
Inova Surgery Center Lorton	2		1,957	1,957	1,835	913	2,748	1.40
Kaiser Tysons Corner Surgery Center	6		7,912	7,912	7,451	1,834	9,285	1.17
McLean Ambulatory Surgery ⁴	2		924	924	1,031	1,231	2,262	2.45
Northern Virginia Eye Surgery Center	2		5,293	5,293	1,347	1,587	2,934	0.55
Northern Virginia Surgery Center	4		4,289	4,289	2,753	1,787	4,540	1.06
Pediatric Specialists of NV ASC	2		1,660	1,660	947	611	1,558	0.94
Novant Prince William ASC	4		3,097	3,097	1,991	1,362	3,353	1.08
Novant Prince William Haymarket ASC	2		2,174	2,174	1,178	549	1,727	0.79
Reston Surgery Center	6		7,608	7,608	6,748	3,170	9,918	1.30
Sentara Lake Ridge ASC	1		1,190	1,190	524	316	840	0.71
Skin Cancer OSH ⁵	1		1,650	1,650	675	70	745	0.45
Total Surgery Centers	47		56,871	56,871	44,264	22,696	66,960	1.18
Regional Total	178	32,182	117,521	149,703	164,438	108,538	269,335	1.80

Source: VHI, ALSD, 2017; HSNV data collection.

¹ Operating rooms available in 2017; authorized capacity is 186 rooms

² Opened in April of 2014

³ Opened in December of 2015

⁴ Opened in late 2016

⁵ 2017 service volume estimated based on previous year.

Kaiser justifies the proposal on the grounds that:

- Northern Virginia resident enrollment in Kaiser Foundation Health Plan has grown substantially in recent years, generating larger surgery caseloads.
- Surgery cases at Kaiser's Tysons surgery center have increased steadily in recent years and are expected to grow significantly as enrollment in the health plan increases. Additional capacity is needed to accommodate current service volumes and projected caseload increases.
- Projected capital and operating costs, though substantial, are reasonable for the service and facility proposed.
- The project would make efficient use of existing surgery capacity and would not increase unnecessarily the number of operating rooms.
- The project would be of considerable benefit to Kaiser and plan members, would have minimal health system effects, and would not affect any competing health plan or other service provider negatively.
- Enrollment in Kaiser's health plan is relatively high in eastern Prince William County. Woodbridge is the appropriate location for additional Kaiser medical facilities and services.
- The project is consistent with the planning principles, policies and standards of the Virginia COPN program, including applicable provisions of the Virginia State Medical Facilities Plan (SMFP).

II. Discussion

A. Northern Virginia Surgery Services

There are 26 licensed surgery facilities in Northern Virginia: 11 acute care community hospitals and 15 ambulatory surgery centers. Two-thirds (10 of 15) of the freestanding surgery center are located near and are affiliated with local acute care hospitals.² They are distributed widely in the planning region (Table 1, Map 1).

Collectively, these facilities have more than 250 operating rooms of all types. About three-fourths of these, 189 operating rooms, are "general-purpose operating rooms" (GPORs).³ The remainder are rooms dedicated (designed, equipped and staffed) to specific uses, e.g., cardiovascular surgery, endoscopy, cystoscopy and other "special procedures". Of the 189 general purpose operating rooms authorized, 178 were in service in 2017.⁴ All of the dedicated special purpose operating rooms were available for use.

² Currently, Virginia Hospital Center is the only local acute care medical surgical hospital that does not now have an affiliated freestanding surgery center or has not obtained COPN authorization to develop a freestanding surgery center.

³ Reston Hospital Center (RHC) recently obtained COPN approval to add two general purpose operating rooms. This brings the RHC operating room complement to 15 rooms and the regional GPOR complement to 189 rooms. This additional capacity is not reflected in Table 1.

⁴ Six cardiovascular operating rooms (CVORs) at Inova Fairfax Hospital and two cardiovascular operating rooms at Virginia Hospital Center are excluded from this inventory.

Virginia Hospital Center-Edison, Establish Outpatient Surgical Hospital (COPN Request VA-8462)
Franconia-Springfield Surgery Center, Add Operating Room (COPN Request VA-8465)
Kaiser Foundation Health Plan, Establish Outpatient Surgical Hospital (COPN Request VA-8467)
September 2019

Operating rooms yet to be brought into service are being developed at Inova Fairfax Hospital and Reston Hospital Center.

Northern Virginia surgery facilities report 151,835 surgical cases⁵ in general-purpose operating rooms in 2017 (Table 1). This represents more than two-thirds of the total surgical volume reported in 2017. It is marginally higher than the average number of cases per year for the most recent five years (2013-2017). Growth in surgical demand has been generally consistent with population growth.⁶

The decades-long shift from inpatient to outpatient cases/procedures continues, with inpatient cases dropping from 28% of the total in 2013 to about 22% in 2017. Thus, more than three-fourths (78.5% in 2017) of surgical cases provided in licensed general purpose operating rooms in Northern Virginia are outpatient procedures.

As these data suggest, providing outpatient surgery efficiently often is a key element of community hospital economic stability. It is increasingly important that community hospitals provide outpatient surgery on and off campus to ensure economic viability.

B. Need for Additional Operating Rooms

Kaiser and Virginia Hospital Center Edison propose to develop new surgery services. Both propose to develop new ambulatory surgery centers with four general purpose operating rooms. Franconia-Springfield proposes to expand an existing surgery center. The Kaiser project would increase the number licensed operating rooms in the region. The Virginia Hospital Center Edison and the Franconia-Springfield projects would shift licensed capacity but would not result in an increase in licensed capacity. In the latter proposals, the addition of operating rooms at their surgery centers would be offset by taking operating rooms out of service at affiliated services.

Regional Need

Planning guidance in the Virginia State Medical Facilities Plan (SMFP) addresses directly the questions of community (regional) need for additional surgery capacity and the relocation of existing capacity. The relevant plan section reads:

⁵The Virginia State Medical Facilities Plan (SMFP) defines surgery service volume in terms of "operating room visits". The definition reads: "*Operating room visit*" means one session in one operating room in an inpatient hospital or outpatient surgical center, which may involve several procedures. Operating room visit may be used interchangeably with "operation" or "case." Virginia SMFP, p. 4.

⁶ Northern Virginia is a net importer of surgery patients: more people travel to rather than from the region for surgical care. Local surgery rates (cases/surgeries per 1,000 population) are between 30% and 40% lower than national rates and rates elsewhere in Virginia. Local surgery caseloads varied considerably over the last decade. The trend has been modestly higher, at a rate roughly comparable to the population growth rate.

**Virginia Hospital Center-Edison, Establish Outpatient Surgical Hospital (COPN Request VA-8462)
Franconia-Springfield Surgery Center, Add Operating Room (COPN Request VA-8465)
Kaiser Foundation Health Plan, Establish Outpatient Surgical Hospital (COPN Request VA-8467)
September 2019**

"12VAC5-230-500 - Need for new service.

A. The combined number of inpatient and outpatient general purpose surgical operating rooms needed in a health planning district, exclusive of procedure rooms, dedicated cesarean section rooms, operating rooms designated exclusively for cardiac surgery, procedures rooms or VDH-designated trauma services, shall be determined as follows:

$$\text{FOR} = \frac{((\text{ORV/POP}) \times (\text{PROPOP})) \times \text{AHORV}}{1600}$$

Where:

ORV = the sum of total inpatient and outpatient general purpose operating room visits in the health planning district in the most recent five years for which general purpose operating room utilization data has been reported by VHI; and

POP = the sum of total population in the health planning district as reported by a demographic entity as determined by the commissioner, for the same five-year period as used in determining ORV.

PROPOP = the projected population of the health planning district five years from the current year as reported by a demographic program as determined by the commissioner.

AHORV = the average hours per general purpose operating room visit in the health planning district for the most recent year for which average hours per general purpose operating room visits have been calculated as reported by VHI.

FOR = future general purpose operating rooms needed in the health planning district five years from the current year.

1600 = available service hours per operating room per year based on 80% utilization of an operating room available 40 hours per week, 50 weeks per year.

B. Projects involving the relocation of existing operating rooms within a health planning district may be authorized when it can be reasonably documented that such relocation will:

- (i) improve the distribution of surgical services within a health planning district;
- (ii) result in the Virginia provision of the same surgical services at a lower cost to surgical patients in the health planning district; or
- (iii) optimize the number of operations in the health planning district that are performed on an outpatient basis." (VA SMFP, pp. 22-23)

Surgery service volumes and operating room efficiency vary widely by facility and health system (Table 1). Overall, supply (currently available and projected) and demand (current and projected) are well balanced. The operating room need determination methodology specified in the Virginia SMFP, which as designed and applied overestimates demand relative to supply, suggests that no additional general purpose operating room will be needed within the next five years, by 2024.¹

¹ The Virginia SMFP need determination formula is generous—over estimates demand relative to supply—because it treats demand (cases/visits/procedures) as if it occurs within a 2,000 hour work year, 40 hours per week, 50 weeks

Virginia Hospital Center-Edison, Establish Outpatient Surgical Hospital (COPN Request VA-8462)
Franconia-Springfield Surgery Center, Add Operating Room (COPN Request VA-8465)
Kaiser Foundation Health Plan, Establish Outpatient Surgical Hospital (COPN Request VA-8467)
September 2019

The most recent five-year period for which Virginia Health Information (VHI) has published surgery service use data is 2013 thru 2017. The reported average time per procedure in 2017 was 1.80 hours (Table 1, Table 2). Average use of authorized surgery capacity in 2017 was 90.5% of the nominal 1,600 hours per room. Eleven of the 189 authorized operating rooms are being developed and, thus, were not in service in 2017. The average use of the 178 operating rooms that were in service was 94.6%% of the nominal standard. Average number of procedures/cases per general purpose operating room in 2017 was 842, about 3.2 per day.⁸

Table 2. Operating Room Need Calculation

Formula	$\text{FOR} = \frac{((\text{ORV}/\text{POP}) \times (\text{PROPOP})) \times \text{AHORV}}{1600}$
Operating Room Visits/Cases (ORV), 2013 - 2017	714,510
Population (POP), 2013 - 2017	12,154,939
Surgery Use Rate (SUR), Surgery Cases/Visits per 1,000 Population	0.0587
Proposed Population (PROPOP), 2024	2,796,416
Average Hours per OR Visit (AHORV), 2017	1.80
Nominal Operating Room Time Available, Hours per Room per Year	1,600
Future Operating Room (FOR) Need, 2024	185
Authorized Capacity, 2024	189
Operating Room Need (Surplus -)	-4
Source: VHI ALSD, 2013-2017, Surgery service volumes; UVA Cooper Center, Population data; HSAHV, Tabulations and Calculations	

Use of the specified 2013-2017 service volume data and the population data called for by the SMFP operating room need determination formula yields a projected regional need for 185 operating rooms five years hence (in 2024), four less than the 189 now authorized (Table 2). As noted above, projected demand and authorized capacity are in balance.

a year. The assumed 2,000 hours per operating room per year is discounted by 20% to 1,600 hours, the number used in the formula to indicate the number of hours an operating room is available for use each year.

⁸ This calculation assumes all procedures/cases are handled in a five day work week. Cases/procedures handled on weekends and after business hours as emergency or urgent cases are treated as if they occurred during the regular 40 hour work week. Consequently the average number of cases per day within normal working hours is fewer than the calculated 3.3 cases per day.

Virginia Hospital Center-Edison, Establish Outpatient Surgical Hospital (COPN Request VA-8462)
Franconia-Springfield Surgery Center, Add Operating Room (COPN Request VA-8465)
Kaiser Foundation Health Plan, Establish Outpatient Surgical Hospital (COPN Request VA-8467)
September 2019

None of the applicants justifies their proposal on the grounds of a general regional need for additional surgery capacity.

Neither Franconia-Springfield nor the Virginia Hospital Center Edison proposes a net increase in surgery capacity or in the number of authorized operating rooms. The Kaiser project would add four operating rooms to the regional complement and would increase the number of operating rooms it is authorized to maintain from seven to eleven, an increase of about 57%.

Kaiser surgery facilities are used by health plan members only. Kaiser contracts with selected hospitals for inpatient surgery, but provides outpatient surgery in its own ambulatory care facilities, currently its Tysons ambulatory surgery center. Though health plan enrollees have relatively low surgery rates, recent and projected demand indicate that additional operating rooms are necessary if Kaiser is to continue to provide directly outpatient surgery to plan members. Even with a more than 50% increase in capacity, Kaiser ambulatory surgery volumes per operating room are likely to continue be higher than the regional average and higher than Virginia SMFP planning service volume standards.

Kaiser's basic arguments are that high and increasing use of its operating rooms is such that the plan has an internal need for additional surgery capacity and that adding capacity at a Kaiser ambulatory care center will not affect negatively service volumes at other surgery services. It asserts a service specific need for additional capacity as permitted under the "institutional need" provision of the SMFP (12VAC5-230-80). That provision reads:

"12VAC5-230-80. When institutional expansion needed.

A. Notwithstanding any other provisions of this chapter, the commissioner may grant approval for the expansion of services at an existing medical care facility in a health planning district with an excess supply of such services when the proposed expansion can be justified on the basis of a facility's need having exceeded its current service capacity to provide such service or on the geographic remoteness of the facility.

B. If a facility with an institutional need to expand is part of a health system, the underutilized services at other facilities within the health system should be reallocated, when appropriate, to the facility with the institutional need to expand before additional services are approved for the applicant. However, underutilized services located at a health system's geographically remote facility may be disregarded when determining institutional need for the proposed project.

C. This section is not applicable to nursing facilities pursuant to § 32.1-102.3:2 of the Code of Virginia.

D. Applicants shall not use this section to justify a need to establish new services." (VA SMFP, p. 7)

Recent and current use of Kaiser operating rooms is higher than the nominal 1600 hours per operating room per year standard specified in the Virginia SMFP. Kaiser projects continued growth, and emphasizes that the additional capacity requested is needed near term to serve projected surgery caseloads and to improve access for Kaiser Health Plan subscribers.

In terms of capacity and program configuration, these arguments are generally correct. All three applicants offer sound arguments in support of the projects they describe. All three are consistent with the service volume and related public need provisions of the Virginia SMFP.

B. Access Considerations

The VHCE, Kaiser and Franconia-Springfield proposals involve capacity changes in dedicated outpatient surgery services and facilities. In this respect all three are consistent with the Virginia COPN planning principles and policies that encourage providing access to outpatient services and care where possible and clinically permissible. All three projects involve expanding and positioning outpatient surgery services.

The Virginia Hospital Center Edison and Kaiser plan to establish new ambulatory surgery centers, the former in the Mclean area of Fairfax County, the latter in the Woodbridge area of eastern Prince William County. The Franconia-Springfield project involves the repositioning of surgery capacity in southeastern Fairfax County. Though only the Kaiser project would result in a net increase in capacity, it is arguable that all three would improve access to outpatient surgical services by placing dedicated outpatient surgery capacity where it is more readily accessible and is likely to be used efficiently. Recent and projected service volumes at the applicants' related services indicate that each project is consistent with outpatient surgery service volume trends and established medical trade patterns.

In each case the additional capacity and other changes requested should permit the new and modified services to respond more effectively to increasing demand. All are likely to have high use, with average surgery volumes at or above planning standards.

Kaiser Foundation Health Plan, Virginia Hospital Center and Inova Franconia-Springfield Surgery Center have acceptable charity care policies and practices. There is no reason to doubt that subsidiaries developed by these entities will have similar policies and practices. It should be understood nevertheless that there are structural impediments inherent in syndicated ambulatory surgery center operations that militate against such centers providing charity care and serving indigent patients equitably. The majority of medically indigent outpatient surgery patients will continue to be served at community hospitals, not their affiliated syndicated ASCs.

C. Cost Considerations

The Kaiser and Virginia Hospital Center Edison proposals call for large ambulatory surgery centers in new locations. Both require substantial capital outlays, about \$28.3 million for Kaiser and about \$15.4 million for VHCE. The Franconia-Springfield proposal is a relatively modest project, the onsite conversion of an unlicensed procedure room to a licensed operating room. It does not involve site acquisition or construction expense. The projected capital outlay is expected to about \$59,000.

The large differences in the capital outlays proposed reflect the size, location and nature of the projects. The projected Franconia-Springfield expenditure is insubstantial in terms of medical facility development. The conversion of a procedure room built to operating room standards to a licensed operating room is

largely a paper exercise. Site acquisition and construction costs attributable to the procedure room are sunk costs, incurred several years ago.

VHCE proposes to lease space in a Fairfax County office building. Kaiser proposes to purchase land and construct a large ambulatory care center which will house an array of outpatient diagnostic and treatment services, including a surgery center. Neither would result in the development of surgery facilities or capacity that is likely to be redundant or to have inefficient use.

Assuming the projects are found to be needed, or otherwise merit approval, projected capital and operating costs do not disqualify any of the three, or give one a significant advantage over the other. Amortized over the expected useful life of the facility (assumed 20 years), at expected service volumes, the Kaiser and VHCE expenditures are not likely to raise costs disproportionately.

E. Health System Considerations

The Franconia-Springfield proposal is a service consolidation project. Surgery capacity (one operating room) would be transferred from one Inova Health System ambulatory surgery center (Inova Ambulatory Surgery Center at Lorton) to another (Inova Franconia-Springfield Surgery Center). Both facilities are syndicated services with a subsidiary of Inova Health System as the general partner and participating surgeons as limited partners. Their primary service areas overlap substantially. Both serve largely residents of southeastern Fairfax County. Shifting capacity in response to evolving medical referral patterns, or internal business interests, is not likely to have significant negative health system effects. There is no indication that any competing service is likely to benefit from or be disadvantaged by the change. The principal unanswered (unaddressed) question raised by the proposal is whether the project portends additional changes at Inova Ambulatory Surgery Center at Lorton.

Virginia Hospital Center is engaged in a multiyear expansion and modernization initiative to position the hospital to meet projected demand over the next decade and beyond. Developing an off campus surgery center is best seen and understood as part of this redevelopment of Virgin Hospital Center. It is an element in the stepwise renovation and expansion of acute care services at the hospital as it incorporates property adjoining the hospital newly acquired from Arlington County. Moving surgery capacity off campus to a freestanding surgery center amounts to exchanging dated operating rooms and associated support space for modern, appropriately sized operating rooms. This in turn will permit the hospital to modernize the surgery spaces vacated. Given recent, current and projected surgical demand at VHC it is likely that the hospital will seek additional surgery capacity at the hospital relatively soon, within three to five years.

Virginia Hospital Center is the only acute care hospital in Northern Virginia without an affiliated freestanding surgery center.* The hospital intends to syndicate VHCE by offering minority shares in the

* Nearly all freestanding surgery centers in Northern Virginia are syndicated. Typically, these centers have between 20 and 30 limited partners, surgeons who bring the majority of patients to the service.

**Virginia Hospital Center-Edison, Establish Outpatient Surgical Hospital (COPN Request VA-8462)
Franconia-Springfield Surgery Center, Add Operating Room (COPN Request VA-8465)
Kaiser Foundation Health Plan, Establish Outpatient Surgical Hospital (COPN Request VA-8467)
September 2019**

facility to OrthoVirginia surgeons. OrthoVirginia is a large orthopedic group practice with dozens of surgeons in the planning region. As VHC notes the VHCE project is not novel. It is consistent with

patterns of development and practices at other local hospitals. With VHC's recent and projected surgery caseloads, and the presence of OrthoVirginia surgeons at the hospital, there is no indication that developing an affiliated freestanding ambulatory surgery center would have negative health system effects.

Kaiser Foundation Health Plan now serves more than 250,000 residents of Northern Virginia, about 10% of the region's population. Plan enrollment has increased steadily in recent years, by more than a third over the last decade. Significant increases in subscriber growth are expected over the next five years and beyond.

Kaiser does not have a local hospital, it contracts for hospital services with two local facilities, Virginia Hospital Center and Reston Hospital Center. It provides basic medical care, including diagnostic imaging and outpatient surgery, in Kaiser owned and operated medical offices and multiservice ambulatory care centers. Kaiser has an ambulatory surgery center with seven operating rooms in the Tysons area of Fairfax County. That facility, recently expanded, is heavily used.

Rather than expand its Tysons facility, Kaiser plans to develop a second ambulatory care complex in Woodbridge, VA. In addition to basic outpatient diagnostic and treatment services, the complex is to include an ambulatory surgery center with four operating rooms and associated support space. Kaiser Health Plan's highest penetration rate in Northern Virginia is in eastern Prince William County. The greater Woodbridge area is an appropriate location for additional Kaiser services. Given high use of existing Kaiser ambulatory surgery capacity, continued growth in plan enrollment, and the large enrollment in eastern Prince William County developing a second surgery center in Woodbridge would be beneficial to Kaiser and its subscribers and would not be likely to have negative health system effects.

Arguably, enrollment in Kaiser's health plan is beneficial systemically. Local plan members have considerably lower surgery rates than the population generally. Some consider this an artifact of no importance or lasting significance, a result of selective enrollment. That does not appear to be the case in Northern Virginia. By most commonly accepted measures local enrollment in the plan appears to be unusually beneficial individually and collectively, worthy of support and encouragement.

III. Conclusions and Alternatives for Agency Action

A. Conclusions

1. Though there has been significant annual variation in reported demand, regional surgery service volumes have grown for several decades. Over this period there has been a pronounced shift from inpatient to outpatient surgery. Currently, between 75% and 80% of local surgery cases in licensed surgical facilities are outpatient.
2. Based on current demographic and use trends surgical demand is likely to increase regionally at about the rate of population growth over the next three to five years.

3. Though there is unused capacity in some surgery services, operating rooms currently in service are used relatively efficiently. Average regional use of surgery capacity is between 90% and 95% of the Virginia SMFP planning standard.
4. Application of the Virginia SMFP need determination methodology suggests there will be a small surplus in general purpose operating over the next five years.
5. Unused capacity in the region is located at StoneSprings Hospital Center (southeastern Loudoun County) and in several small (one operating room) specialty surgery centers. These services are redundant and cannot be expected to be responsive to the objectives of the Kaiser, VHCE or Franconia-Springfield proposals.
6. None of the applicants relies solely on the argument that there is a regional need for additional surgery capacity. Each argues that it has a service specific need for its project.
7. There is no indication that any of the proposals would affect other surgery services negatively or otherwise have problematic system effects.
8. Restructuring surgery capacity at Virginia Hospital Center and Franconia-Springfield are reasonable proposals that are likely to result in greater efficiency. These restructuring proposals follow common development patterns and practices in Northern Virginia. They do not pose substantial or unacceptable threats to neighboring surgery services.
9. The applicants and their parent organizations are experienced providers of outpatient surgery. They have acceptable charity care policies and practices, as well as histories of serving the medically indigent.
10. The projected capital cost of each proposal, though substantial with Kaiser and VHCE, are within the range for the size and nature of the projects described.
11. There is no known opposition to any of the projects.
12. None of the projects is inconsistent with applicable provisions or the underlying principles of the Virginia SMFP.

B. Alternatives for Agency Action

1. The HSANV Board of Directors may recommend to the Commissioner of Health that a Certificate of Public Need authorizing all three projects be granted.

Favorable recommendations could be based on concluding that 1) although there is no pressing regional need for additional surgery services or capacity, the potential benefits of each project

outweigh concerns about potential negative effects, 2) the capital expenditures proposed are acceptable for the projects described, 3) none of the proposals would have negative health system

effects, and 4) each of the proposals is consistent with applicable provisions (institutional need and capacity relocation) of the Virginia State Medical Facilities Plan.

2. The HSANV Board of Directors may recommend to the Commissioner of Health that a Certificate of Public Need not be granted to one or more of the applications.

Unfavorable recommendations could be based on concluding that 1) no additional service or increased capacity should be authorized until there is a clear demonstration of regional need for a new surgery service and additional operating rooms, and 2) approval of a net increase in surgery capacity should be deferred until the operating rooms authorized and now under development are placed in service and have significant surgery caseloads.

IV. Checklist of Mandatory Review Criteria

1. Maintain or Improve Access to Care

Northern Virginia residents have ready access to multiple surgical services. Given the nature and location of the projects none would alter this underlying circumstance in any meaningful way. Nevertheless, by responding to internal needs for additional capacity, it appears that the Kaiser, VHCE and Franconia-Springfield projects would contribute to maintaining access to surgical care.

Individually and collectively, all three projects would make outpatient surgery marginally more available and accessible. The applicants have acceptable charity care policies and practices.

2. Meet Needs of Residents

The applicants and their parent corporations are experienced providers of local surgical care. They appear to be responsive to the needs of the communities and populations they serve. They are likely to continue this practice. The projects they have proposed are intended and designed to make this possible.

3. Consistency with Virginia State Medical Facilities Plan (SMFP)

All of the projects appear to be generally consistent with the applicable provisions, and the underlying principles, of the Virginia SMFP. Specifically, each is consistent with the "institutional need" provision of the plan. The Kaiser and the Franconia-Springfield projects are consistent with Virginia SMFP provisions governing the relocation of existing operating rooms within a health planning district.

4. Beneficial Institutional Competition while Improving Access to Essential Care

Although the Kaiser and VHCE proposals call for establishing new ambulatory surgery services, there is no indication or reason to believe that individually, or in combination, the projects would change in a meaningful way price, access, or quality competition among local surgery services. Arguably, all three would help maintain, or improve marginally, access to surgical care.

5. Relationship to Existing Health Care System

The capacity increases and shifts proposed have merit. There is no indication, and little likelihood, that the capacity increase contemplated by Kaiser would affect negatively other providers of surgical care, or the health care delivery system generally.

Establishing new freestanding surgery centers in McLean and Woodbridge would be of considerable benefit to Kaiser and Virginia Hospital Center and those they serve. Both projects would improve access to care marginally. Given the nature and location of the projects, there is no indication that they would affect negatively demand at or operations of neighboring surgery services.

6. Economic, Financial Feasibility

The capital outlays proposed are consistent with the size and nature of the projects described. They are within the capital expenditure ranges seen locally and elsewhere for similar surgery facilities. The investments proposed would be profitable, with high internal rates of return. The applicants and their parent organizations are experienced providers of surgical services locally. There is no reason to believe these patterns of success will change.

All three projects are financially feasible and economically viable.

7. Financial, Technological Innovations

None of these projects entail innovative technologies, practices or economic elements beyond those now incorporated in the services offered widely in the region. Comparable services are readily available within the planning region and in neighboring jurisdictions.

8. Research, Training Contributions and Innovations

None of the projects has significant research or training elements that warrant special consideration.

Virginia Hospital Center-Edison, Establish Outpatient Surgical Hospital (COPN Request VA-8462)
Franconia-Springfield Surgery Center, Add Operating Room (COPN Request VA-8465)
Kaiser Foundation Health Plan, Establish Outpatient Surgical Hospital (COPN Request VA-8467)
September 2019

RECEIVED

OCT 17 2019

VDH/OLC